

## Gov't cuts concession

### E. J'lem Electric still seeks new deal

By ELAINE FLETCHER  
and ASHER WALLFISH

Officials of the Arab-owned Jerusalem District Electricity Company yesterday rejected the cabinet's decision to take away its concession to supply power to the Jewish neighbourhoods of East Jerusalem and the West Bank. The decision would cut the company's concessions by more than half.

But Hanna Nasser, board chairman of the company took a wait-and-see approach to whether a compromise package, including more financial aid, could be worked out through negotiations with Israeli cabinet ministers.

Meanwhile, Jewish leaders in East Jerusalem and the West Bank welcomed the prospect that the government move would mean better service because their neighbourhoods would be hooked up to the Israeli

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Electric Corporation grid, rather than to the JDEC.

Nasser said that he hoped to meet with Energy Minister Moshe Shalal today. In statements which were more moderate than those by some other JDEC board members, Nasser seemed to indicate that his negotiations with Shalal would revolve around obtaining more financial aid for the troubled company rather than fighting the cutting in half of its concession area.

"I also reject the decision to reduce part of our concessions," Nasser said. "But before rejecting the entire decision, it would be best to look at it and see where we are going to stand in the future."

The cabinet adopted its decision by an overwhelming vote of 15 ministers against four.

The 70-year-old concession granted to the Arab corporation by the Ottoman authorities in 1917 will thus clearly not be extended in its present form, when it expires this December.

Today the Arab corporation generates only about five per cent of the current which it sells, buying 95 per cent from the Israel Electric Corporation (IEC). The renewed limited concession will require it to purchase all of its current from the IEC, and to keep its five per cent capacity solely as a reserve for emergencies and power failures in the Israel national grid.

Voting against the proposal were four ministers: Science and Development Minister Gideon Peit; Industry and Trade Minister Ariel Sharon; Minister-without-Portfolio Yitzhak Peretz (of Shas); and Minister-without-Portfolio Yosef Shapira (NRP).

Sharon said after the vote: "Historically speaking, this is one of the

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Workers from the Randfontein gold mine leave yesterday after the National Union of Mineworkers called a wage strike. Twenty-eight gold and 18 coal mines are affected by South Africa's largest legal strike involving more than 200,000 miners. See story on Page 3. (AFP telephoto)

## Pilgrims return from Mecca

### Israeli Arab clubbed to death by Saudis

By JOEL GREENBERG  
Jerusalem Post Reporter

JERICHO. — Israeli Arab pilgrims who returned yesterday from Mecca said Saudi troops opened fire at Iranian demonstrators, and both sides battled with sticks and stones during the recent riots in Islam's holy city. They said an Israeli Arab had been clubbed to death by Saudi security men during the clash.

Twenty busloads of white-clad pilgrims crossed into the West Bank over the Allenby Bridge yesterday, and were met by anxious relatives who waited hours in sweltering heat at a reception area just outside Jericho.

Relatives of Badr Za'arura from the village of Reina near Nazareth, who had suffered anguish for a week over reports of his death, burst into tears when they were told by the returning pilgrims that their 54-year-old uncle had been killed in the riots.

Za'arura's nephew, Taher, his voice choked, said he had been told his uncle was killed by Saudi security men who mistook him for an Iranian when he ventured out into the street to a nearby store.

Pilgrims said Za'arura had been buried in Saudi Arabia by members of his village.

Abdel Latif Taha of Jaljuliya village said he witnessed the clash from his living quarters some distance away.

"The Iranians demonstrated, and then wanted to enter the Grand Mosque to pray. The Saudis blocked them and there was a clash. The army opened fire. We saw the shooting start. Then the Iranians retreated and all hell broke loose."

"There were masses of soldiers and we heard heavy shooting. I saw people falling, people wounded and killed, lying on the street. Shots were

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## Kollek to Shamir:

### No guarantee new stadium won't have Saturday games

By ANDY COURT  
For The Jerusalem Post

Jerusalem Mayor Teddy Kollek told Prime Minister Yitzhak Shamir last night that he could not help the prime minister out of his political bind by guaranteeing that there would not be any soccer on Shabbat at the proposed stadium at Manabat.

Shamir, whose signature as acting interior minister is needed to approve the stadium plan, asked Kollek if it would be possible to insert a condition forbidding soccer games on Shabbat.

Kollek said that he could not insert such a condition into the plan because the decisions about when to play depended on soccer league officials, not on the municipality. The

mayor did agree, however, to talk with the Hapoel Jerusalem club to ascertain if they are willing to guarantee not to schedule games on Shabbat. Betar Jerusalem recently gave such an undertaking.

Yesterday's meeting did not end the soccer stadium impasse, but it clarified the positions of the key "players."

Shamir, who is under pressure from the ultra-Orthodox parties on whose support his government depends, is seeking a compromise that would give the city's soccer fans their stadium and the city's ultra-Orthodox residents their Shabbat peace.

The municipality says that it is not

(Continued on back page)

## Copters hit terror base; Katyushas in North

Jerusalem Post Staff

TEL AVIV. — Air Force helicopters yesterday attacked a two-storey building in Tibnin in South Lebanon, six kilometres north of the security zone.

Announcing this, an Israel Defence Forces spokesman said that the building served as the headquarters of a Lebanese terrorist organization collaborating with the extremist Shi'ite Hizbullah. The organization was not identified.

The helicopters reportedly rocketed the target at 6:35 p.m. The spokesman quoted pilots saying they had scored direct hits. All helicopters returned safely to base.

The spokesman added that the Lebanese organization had assisted the Hizbullah in attacks on IDF and Israeli Lebanon Army soldiers. It was not disclosed whether the IDF has attacked this organization before.

A Katyusha rocket fell in Galilee yesterday afternoon and two others fell inside the security zone in south Lebanon without causing injuries or damage, army sources reported.

It was the first Katyusha attack against Israel since June 30.

Previous attacks occurred in April when a number of rockets also fell in Galilee.

One of the rockets fired yesterday exploded close to a UNIFIL observation post in the western sector of the security zone. There were no reports of injuries or damage.

The sources said it appeared the Katyushas were of the 107 mm variety, and had been fired from north of the security zone.

## Soldier hurt in Nablus

Jerusalem Post Staff

An IDF soldier was lightly injured last night in Nablus when a petrol bomb was thrown at his vehicle. Troops immediately clamped a curfew on the city centre, where the incident took place, and searched for the attackers. The soldier was treated for burns.

It was the second petrol bomb attack in four days in the West Bank.

Security sources said the army yesterday began setting up look-out points along the road between Kalkiya and Alfei Menashe.

In another incident, a petrol bomb was thrown yesterday morning at an Egged bus No. 955 travelling from Jerusalem to Nazareth. The bus' windshield was shattered and the

(Continued on back page)

## Two key officials for Bank Leumi

Post Economic Staff

Bank Leumi yesterday reported a tripling of net profits for the first half of 1987. In addition, in a move that caught financial and government circles by surprise, Leumi announced that it had obtained the services of two former key government figures for companies in the Leumi group, if only in non-executive capacities.

Both developments are being seen as personal successes for Leumi's Chief Executive Officer, Zedek Bino.

Victor Medina, who resigned as head of the monetary department of the Bank of Israel in June, is to become a member of the board, and chairman of the investment committee of Leumi's PIA mutual-fund subsidiary and of its provident-fund management subsidiary.

Abaron Fogel, who is due to leave his senior Treasury post as director of the budget division later this month, will become chairman of Leumi's merchant bank subsidiary, Leumi and Co.

## Bid for move towards int'l parley

### U.S. tempts Shamir with strategic aid

By BENNY MORRIS  
Post Diplomatic Correspondent

The U.S. government plans to offer Prime Minister Shamir an inducement to withdraw his opposition to an international Middle East peace conference. It will come in the form of a commitment to maintain Israel's long-term military-technological edge over the Arabs. The administration intends to phrase this commitment so that it is "morally binding" beyond the Reagan years.

The U.S., it is learnt, also intends to offer Shamir its full backing should he insist, at the conference, that the participants first discuss the possibility of an interim Israeli-Arab accord regarding the occupied territories.

The American "package of sweeteners," which is currently being worked out in Washington and Tel Aviv, will also include the offer of written guarantees regarding the nature and composition of the conference.

Charles Hill, personal assistant to Secretary of State George Shultz, is due to meet Shamir for an initial talk

today. Hill, long regarded as the Likud's conduit to senior policymakers in Washington, arrived in Tel Aviv last night.

Washington, it is understood, is well aware of Shamir's "problem" with the international conference, stemming from his repeated and firm public pronouncements on this score, and from his real objections, on various levels, to the scenario itself.

Hill's approach will take account of this and focus on the "sweeteners" that might enable Shamir gracefully to back away from his current stance.

Hill intends to tell Shamir that if he withdraws his opposition to the conference, the U.S. will be willing to renew or continue exploring "alternative" routes to direct Israeli-Arab talks, but that it will not pursue such alternatives so long as Shamir remains totally opposed to the conference.

The implication is that, if Shamir falls into line, the U.S. will be willing officially to sound out Jordan on the possibilities of convening a "mini-conference," as proposed by Shamir, in lieu of a fully fledged international conference, and of reaching

an initial agreement, loosely based on the autonomy formula, for an interim arrangement in the territories.

The major sweetener that Hill will offer will be a public commitment by Reagan or Shultz to American maintenance of Israel's military edge over the Arab states, including specific assurances in both matters of quality and quantity of weaponry. Such a commitment will be phrased or enunciated in order to be "morally binding" on post-Reagan administrations, it is understood.

It is understood that Shultz has long sought an effective way of enshrining America's commitment to Israel's military superiority in a policy pronouncement (or document) that would remain in force after his term in office has ended.

But it is believed that the U.S. will make this package of sweeteners wholly contingent on a substantive change of posture by Shamir concerning the conference.

The Prime Minister's Office last night declined all on-the-record comment on the Hill visit and its expected purview. It was clear that Shamir hopes that Hill will com-

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## MKs want Lavi project to go on

By AVI TEMKIN  
and JOSHUA BRILLIANT

Israel Aircraft Industries yesterday scored an interim victory in the fight for the Lavi jet fighter's survival when a large majority of MKs from the Finance and Foreign Affairs Committees voted to continue with the project.

After a stormy session at the Defence Ministry headquarters in Tel Aviv with the heads of the IDF and the Defence and Finance Ministries, 22 of the MKs voted for the project, six voted to discontinue it, and three abstained. The decision by both committees is not binding, and Treasury officials said they still expected that the cabinet would scrap

the project, possibly at its meeting next week.

The heads of the IAI presented the MKs with a programme of cuts in the Lavi budget which was supposed to yield savings of \$100m. a year. These were to be achieved by dismissing 1,450 workers, reducing flight hours and cutting other prototype expenses, they said.

But the heads of the IDF and Defence Ministry were sceptical about the savings. Defence Minister Rabin said bluntly that he no longer had confidence in the IAI estimates. "Somebody else will have to sign the estimates they bring," he told the MKs.

Rabin described, at length, the

various needs of the IDF in weapons systems that could not be developed if the continued development of the Lavi ate up the military development budgets.

Chief of General Staff Dan Shomron said that in the army's current financial condition, the Lavi project could not be maintained.

A storm broke out at the meeting when MK Dedi Zucker (CRM) said the support of most of the MKs for the Lavi was a vote of no-confidence in the army, the chief of general staff and the Defence Ministry. A decision to go ahead with the Lavi, he said, would mean higher taxes and cuts in social services, he also said.

(Continued on back page)

## Cooler in Israel, hotter in Greece

Jerusalem Post Staff

There will be a slight drop in temperatures today and tomorrow, the weatherman said yesterday, but the heat wave will continue at least through Wednesday.

The high humidity in the coastal plain has penetrated into the mountains, and is not expected to lift.

Only the northern Golan experienced some relief on Friday night, when a 20 minute shower surprised residents who were out on their lawns enjoying an evening breeze.

"It was like winter, we all ran home," a Neve Ativ resident said. The weatherman explained that very local showers caused by turbulence in the atmosphere are

common in the region.

Temperatures climbed to 40 degrees centigrade yesterday in Athens, prompting hundreds of thousands of residents to flee to resorts and putting hospitals on alert. But authorities reported no deaths.

In the Aegean Sea, an earthquake measuring 5.2 on the Richter scale shook the Greek island of Lemnos, but there were no reports of damage or casualties, the Seismological Institute said. It put the epicentre of the earthquake 260 kilometres north-east of Athens.

Hospital sources in Athens said about 40 people had been treated for heat-related problems in the past two days.

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BRUSSELS	12	14	16	Cloudy
BIRMINGHAM	9	10	12	Cloudy
CHICAGO	21	25	27	Clear
COPENHAGEN	11	12	13	Cloudy
FRANKFURT	10	12	14	Cloudy
HELSINKI	11	12	13	Cloudy
HONGKONG	22	24	26	Cloudy
JOHANNESBURG	24	26	28	Clear
KHARTOUM	26	28	30	Clear
LONDON	14	16	18	Cloudy
MADRID	14	16	18	Cloudy
MONTREAL	16	18	20	Cloudy
NEW YORK	18	20	22	Cloudy
OSLO	9	10	12	Cloudy
PARIS	15	17	19	Cloudy
ROME	16	18	20	Cloudy
SAN FRANCISCO	18	20	22	Cloudy
STOCKHOLM	16	18	20	Cloudy
TOKYO	24	26	28	Clear
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ZURICH	16	18	20	Cloudy

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## THE WEATHER

	Yesterday's	Yesterday's	Today's
	Humidity	Min-Max	Max
Jerusalem	77	23-34	32
Golan	77	20-36	34
Nahariya	—	—	—
Safed	18	25-35	34
Haifa Port	65	—	32
Tiberias	65	25-39	37
Nazareth	41	22-32	31
Afula	63	24-36	34
Shomron	38	23-34	32
Tel Aviv	72	23-31	30
B-G Airport	55	25-32	31
Jericho	22	22-42	41
Gaza	78	25-30	30
Beer-Sheva	34	25-37	36
Eilat	16	31-44	43

## Two sisters and their husbands died in crash in Greece

HAIFA (Itim). — The brother of the two Israeli women who died in a road accident in Greece on Saturday is to fly to Athens tonight to make a final identification of the bodies and arrange for them to be brought back for burial.

Ezra and Rachel Cohen of Haifa, and Yitzhak and Zippora Baruch of Nahariya, were burnt to death when their car crashed into a tourist bus on the Athens-Corinth highway on Saturday afternoon, and burst into flames. Athens police said they were burnt beyond recognition.

Rachel Cohen and Zippora Baruch were sisters. Ezra Cohen, who had been an instructor at the 'Acre Naval College until last month, was planning to go into business with his brother-in-law, Baruch, on their return from Greece.

Each couple is survived by two children: the Baruchs by Galit, 19, and Revital, 17, and the Cohens, Naji 10, and Itamar, 7. The children, who were only informed of the tragedy yesterday morning, have been taken to their maternal grandparents in Tirat Hacarmel.

## ELECTRIC

(Continued from Page One)

graveside decisions any Israeli government has ever taken.

Energy Minister Moshe Shahal said the Arab corporation's NIS 33m. in debts would be paid off, in lieu of its transfer of its plant, installations and network, to the IEC. The Arab company would have to dismiss about half of its staff and pay them severance pay, he noted, for which the Energy Ministry would have to raise some \$4m. At present the Arab corporation was extremely overstaffed, he noted.

The director-general of the IEC, Yitzhak Hoff, noted that the Arab corporation has 100,000 consumers of whom 30 per cent were Jewish, but they consumed between 50-60 per cent of the current supplied by the JDEC.

The remaining 70 per cent were Arabs who were spread through 11 towns and 100 villages, Hoff said. The local authorities buy the current "in bulk" at the municipal boundary, as it were, and were responsible for its distribution to their residents, he said.

Hoff said the last thing the IEC wanted was to operate in areas of the West Bank where the Arab population was opposed to cooperating with its employees, in installation, repairs, meter-reading and bill collection. This would entail dangers and unrest, he said. With the Arab corporation acting as a sort of subcontractor or retailer, the situation would be safer and preferable, he told the ministers.

Patt said the energy minister was suggesting surrendering to extortion.

Housing Minister David Levy said the Shahal proposal was an acceptable compromise. Jerusalem Mayor Teddy Kollek told the Cabinet that the largest employer of Arab labour in the territories and in Jerusalem could not be liquidated overnight. If the concession were not extended in some form, he warned, there would be serious unrest.

All Hamouda, spokesman for the JDEC's employees committee, described the government decision to cut the concession as illegal. He said Israel has no right to alter the company's 1917 concession which expires this December, since it is an occupying power.

The JDEC's employees will hold a sit-in strike at the company's East Jerusalem offices today, while the company's board is expected to meet to deliberate on a formal response to the government's decision.

## HOME AND FOREIGN NEWS

## Summer job leads to alleged rape

By JONATHAN KARP

For The Jerusalem Post

TEL AVIV. — A 32-year-old Bat Yam resident yesterday was remanded in custody for four days for allegedly raping a 15-year-old girl who worked as a waitress in his restaurant.

Though the police asked that he be remanded for six days, the Tel Aviv Magistrates' Court ordered that Haim Kalderon be held for a shorter period while the police investigated what the judge termed a "grave crime."

The incident took place last Tuesday night, according to the waitress. Kalderon offered to take her home, but instead he allegedly took her to the beach outside his restaurant in Bat Yam and raped her.

This case raises the question of sexual harassment of high-school students who, like this waitress, hold summer jobs in thousands of businesses, restaurants and hotels.

Rina Ben-Zvi, of the Tel Aviv Rape Crisis Centre, noted yesterday that the centre had received five or six such calls in the last few months. "It is quite a phenomenon," she said. "The girls are vulnerable because of their age and their innocence."

Despite this recent incident, Ben-Zvi said that she did not think teenage rapes had increased. "We have had more calls, but that is because the public is more aware of our services, not necessarily because there have been more rapes," she said.

One of the main obstacles in determining the extent of the harassment and rape is the victims' unwillingness to report the incidents to counsellors or the police. While married women are reluctant to report being raped because they fear it could ruin their family life, teenagers are concerned that their parents will find out.

In the case of the waitress, the girl confided in a relative, who then turned to counsellors. Earlier in the summer, another teenage girl tried to prevent her parents from learning that she had been raped, but after she went to the police, her story leaked out and a press report mentioned so many details, including the name of the girl's small home community, that the parents recognized their daughter.

The police are hardly a better source on the scope of teenage rape. They prefer not to discuss it at all, saying that rape tends to increase when it is publicized.

## Vanunu's brother urges UK protest

LONDON (Reuters). — Britain should oppose the forthcoming treason and espionage trial of Mordechai Vanunu on grounds that the former nuclear technician was taken to Israel by force, his brother said yesterday.

Meir Vanunu told a news conference here that his brother, who told the London Sunday Times last September that Israel was producing nuclear weapons, was abducted to Israel by the Mossad. He said the plot to return him to Israel was launched in Britain.

"I firmly believe that the British government should intercede and declare his forthcoming trial in Israel illegal," he added.

## Egyptian official compares Israel to South Africa at OAU meet

## Protest to Cairo over speech

By BENNY MORRIS

Post Diplomatic Correspondent

The director-general of the Prime Minister's Office has protested to Egypt about a senior Egyptian official's public comparison of Israel and South Africa.

Yossi Ben-Aharon wrote last week to Egyptian ambassador Mohammed Bassiouny about a speech by Butros Butros Ghali, the Egyptian minister of state for foreign affairs, at a meeting of the Organization of African Unity's foreign ministers in Addis Ababa.

The letter, (sent without consultation with the Foreign Ministry), asked the Egyptian authorities to clarify whether Ghali's statement reflected his personal view or the views of the Egyptian government.

In his speech, Ghali declared that, like South Africa, Israel had an "aggressive policy", and that it treated the Palestinians in the occupied territories like South Africa treats its Blacks.

The OAU's summit, which followed the meeting of the foreign ministers, last week passed an anti-Israeli resolution, with Egypt concurring.

Unlike Egypt, African countries with which Israel recently re-established relations, including Zaire and Cameroon, publicly dissociated themselves from the resolution.

Ben-Aharon said last night that Israel viewed Ghali's statement "with gravity. We thought it merited a reaction. We often send letters without consulting the Foreign Ministry. We sent the ministry a copy and a copy went to Israel's ambassador in Cairo, Moshe Sasson."

Ben-Aharon said that the Foreign Ministry "had also considered doing something [about Ghali's speech]. We did what we did and it was considered sufficient. The Foreign Ministry did not protest or seem displeased [about the sending of the letter]."

The Foreign Ministry last night declined comment.

## Jordan denies Mig 29 deal

AMMAN (Reuters). — Jordan yesterday denied a report that it was negotiating to buy Soviet MIG-29 fighters to replace its ageing French Mirage F-1s.

A Jordanian official, who declined to be identified, told Reuters there were no plans to buy the advanced warplanes. "We absolutely deny this," he said.

He was commenting on a report last week in the London-based *Jane's Defence Weekly* that Jordan was negotiating with Moscow for sophisticated MIG-29s and might have concluded a deal.

Western diplomats and Jordanian sources say Amman's search for an advanced interceptor warplane is hamstrung by lack of finance.

The Reagan administration withdrew a proposed \$1.9 billion package of missiles, armoured vehicles and aircraft for Jordan in January 1986 because of opposition in Congress. It wanted Jordan first to agree to direct peace talks with Israel.

## Kollek moves to save Friday night screenings

Jerusalem Mayor Teddy Kollek may push for a change in the city by-law that would allow film screenings on Friday and Saturday, Kollek told reporters last night.

Speaking after a meeting with Prime Minister Shamir, Kollek said he would not bow to ultra-Orthodox pressure and demonstrations.

Two young ultra-Orthodox residents of Jerusalem were still being detained by police yesterday on suspicion of having thrown stones at passersby and vehicles on Saturday.

Three observant members of the Jerusalem Journalists' Association, which owns Beit Agron, yesterday demanded that the association convene a general meeting to explain why it did not prevent the Sabbath eve screenings.

The association announced last night that three weeks ago it unanimously decided to allow the Beit Agron cinema to operate seven days a week. (Itim)

## LATE NEWS

### Satellite to drop

MOSCOW (AP). — The Soviet Union announced that a 10-ton satellite launched August 1 had failed to reach proper orbit and would break up and drop back to earth early today, probably over the South Pacific.

Tass said that *Cosmos 1871* did not carry any dangerous cargo, and that there was "virtually no chance" it could cause damage.

## Moshavim aid in limbo

By ANDY COURT

For The Jerusalem Post

The Knesset Finance Committee's plan to aid the country's moshavim remains in limbo because the Treasury will not agree to a government guarantee of the moshavim's loans, and the banks do not want to reschedule the loans without one. Finance Minister Moshe Nissim told the cabinet yesterday.

"The State of Israel cannot make commitments above those that it has already taken upon itself," Nissim said. He was responding to a question by Economics Minister Gad Ya'acobi about what the Finance and Agriculture Ministries were doing to implement the aid plan.

In addition to the financial crisis facing the moshavim, the kibbutzim need to wipe out an additional NIS 60 million in debts, and that has made negotiations between the banks and the Treasury more difficult, Nissim said.

Although the aid plan lacks the approval of the banks and the Jewish Agency, the Finance and Agriculture Ministries agreed yesterday to proceed with the establishment of the special government administration that will implement it.

The banks, meanwhile, are considering rescheduling some of the moshav debts on their own, without government funding at this stage but possibly with help from the Jewish Agency, a banking source said last night.

## High Court: conjugal visits for prisoners are a basic right

The High Court of Justice yesterday rejected an application by a convict to order the Prisons Authority to enable him to have sexual relations with his wife once a month, either in prison or on special home leave.

The court, however, found that conviction for a crime should not include depriving the convict of his conjugal rights and urged the authorities to change the relevant laws and regulations.

Justice Menachem Eilon, who handed down the ruling in the case of Haim Louis Weill, a 50-year-old convict who is serving a three-year sentence, said that the right to have sexual relations with one's wife was "basic to our world view and to Judaism."

Weill claimed that his wife was, at 50, still capable of conceiving, and that he should therefore be allowed to observe "the commandment to be fruitful and multiply."

Eilon criticized the current regulations in the matter, which not only deprive a convict of his freedom but also of his human dignity. The denial of conjugal rights was also a contributory factor to the spread of homosexuality in prisons, "with the weaker-willed prisoners being its victims."

But the three judges rejected Weill's application, saying that they were bound by the present law and regulations. The latter, they found, were a reasonable and authorized interpretation of the penal code, although they urged that they be changed.

Justices Aharon Barak and Dov Levin concurred. Barak, however, extended the principle enunciated by Eilon by urging that all prisoners, both married and single, be permitted to have regular sex. (Itim)

## Guidance for IBA on Kahane

Jerusalem Post Reporter Deputy State Attorney Dorit Beinisch yesterday issued detailed instructions regarding the Israel Broadcasting Authority's radio and television coverage of MK Meir Kahane and his Kach party, two weeks after the High Court ruled that the refusal to allow him to air his views was illegal.

According to Beinisch's instructions, worked out with IBA heads and legal advisers, the authority will not continue with its *a-priori* black-out of Kahane, but will preview any news items concerning his views which might offend the public.

News editors will be permitted to broadcast clips on Kahane or Kach only after prior screening and consultation with the directors of Israel TV or Kol Yisrael. No items on Kahane will be broadcast live, the IBA agreed.

## Stabbing in Haifa over right of way

HAIFA (Itim). — A Haifa motorist suspected of stabbing another driver in a dispute over who had the right of way, was released yesterday by the Pica intersection of the Ahuva neighbourhood here on NIS 5,000 bail.

Yacub Awad Tarab, 28, allegedly stabbed the other motorist at the Pica intersection of the Ahuva neighbourhood here on NIS 5,000 bail.

With deep sorrow, we announce the death of our dear mother

**ROSE LEAH KATZMAN**

The funeral will proceed from the main gate of the Kfar Samir Cemetery, Haifa, at 2.30 p.m., Tuesday, August 11, 1987 (Av 16, 5747).

Miriam Buzi  
Zalman Buzi  
Natan Katzman  
Sol Katzman

With deep sorrow we announce the sudden passing of our beloved

**Rabbi HERSHEL STOLLMAN** ז"ל

The funeral service will take place at 5 p.m. today, August 10, 1987 (15 Av, 5747), at the Ner Kedoshim Synagogue in Kfar Saba.

The Family  
For Shiva information, please call 02-663747; 02-638069; or 03-442998.

We mourn the untimely death of our beloved colleague

**EZRA (Ben Yacov) MEYER** ז"ל  
(late of 5 Andrew Street, Netanya)

"Meals on Wheels," Netanya  
"Privilege is Mine" (Soldier's Koski)

## JDEC: a takeover in elegant disguise

## ANALYSIS

Yehuda Litani

The Arab-owned Jerusalem District Electricity Company is the largest public company in East Jerusalem and the territories, employing over 500 Arabs from there.

Since it is an independent Arab-owned company, it was perhaps the only public company in East Jerusalem and the territories in which an Arab could aspire to a top management position without requiring the approval of the Israeli authorities.

Yesterday's government decision in effect constitutes a take-over of the company under an elegant guise. The JDEC will not be allowed to generate its own power, but will have to buy it all from the Israel Electric Corporation.

The 180 Arab employees who remain (the rest are to be fired) will deal with the company's Arab clientele: they will read their meters, send their bills and collect payment. The Israeli employees of the IEC will thus not come into direct contact with Arab users in East Jerusalem and the West Bank.

It is true that the financial situation of the Arab company has deteriorated significantly and that 95 per cent of the electricity it supplies comes from the IEC. But for the Arab residents of East Jerusalem and the West Bank, the continuing existence of "their company" was, above all, symbolic of their self-sufficiency in electric power.

Yesterday's government decision was correct on purely economic grounds, especially when one considers the magnitude of the Arab company's debts. But the decision also added a new dimension to the reality that has developed: Israeli-generated electricity will now be supplied through two channels — an Arab one for Arab consumers, and an Israeli one for Jews. Jewish employees will not serve Arab customers and Arab employees will not serve Jews.

One can expect that East Jerusalem in the next few weeks will turn into an arena for demonstrations and unrest on this issue, as the JDEC workers union, which is controlled by radical elements, tries to prevent the implementation of the decision, and especially of the clause calling for the dismissal of 320 workers.



Taher Za'arura weeps after hearing from returning pilgrims that his uncle was killed in the recent riots in Mecca. (Yaron Kaminsky)

## PILGRIMS

(Continued from Page One)

being fired by soldiers and by plainclothesmen. They also used gas. "The Iranians sat on the street and raised their hands. The Saudis started dispersing them in groups, and loads of ambulances arrived to evacuate the wounded."

A villager from Taibe who declined to be identified asserted that the Iranian demonstration has been licensed, and has gone on peacefully for an hour and a half before the confrontation with Saudi troops. "The Saudis shot and killed people, and threw many gas grenades at Iranians who had retreated to our building. They wanted to storm the building, and they cut off our electricity. We saw about 40 bodies near the entrance."

Mohammed Hussein of Kafr Kara said that the Iranians pelted police cars with stones, and both sides beat

each other with sticks and hurled rocks and bottles. "Thousands began to run and they were falling over each other," he said.

The pilgrims said that order was maintained during the remaining days of the pilgrimage. A total of 4,000 Israeli Arabs and 4,000 residents of the territories made the pilgrimage to Mecca this year.

## 1.5 kilos of heroin seized

HAIFA (Itim). — In one of the largest drug busts in the northern valley district, police over the weekend confiscated 1.5 kilos of heroin worth an estimated \$600,000 from two local men and a resident of the village of Reina.

The heroin was smuggled in from Lebanon.

## YEHUDA ROSENMAN

Director of the Jewish Communal Affairs Department of The American Jewish Committee for two decades, died of brain cancer Tuesday, August 4, in New York City. He was 69 years old and lived in Manhattan.

As an official of The American Jewish Committee from 1967, Mr. Rosenman created and directed a wide range of programs aimed at enhancing Jewish family life in America.

In 1974, he initiated the Committee's Academy for Jewish Studies Without Walls, which provides home study courses in Jewish history, tradition and culture. Since 1979, he also served as coordinator of the William Petchen National Jewish Family Center which sponsors research and training programs intended to improve family life.

For the last 17 years, Mr. Rosenman enthusiastically organized an Israel study seminar program which brought more than 400 American professors from leading United States universities to Israel for their first exposure. He then arranged follow-up programs on the professors' respective U.S. campuses to provide Jewish cultural identification.

Born in Brest-Litovsk, Poland, Mr. Rosenman came to the United States in 1939. He graduated from the University of Pittsburgh and received a masters degree in social work there in 1946.

Mr. Rosenman is survived by his wife, Edna, and two daughters, Esther Rosenman Hoffman of Lexington, Massachusetts, Debora Fishman of Washington, D.C., and five grandchildren. He is also survived by his sister, Zipporah of Kfar Yehoshua and numerous nieces, nephews and cousins.

American Jewish Committee

The Jewish Theological Seminary of America announces with deep sorrow the death of their esteemed teacher and colleague

**Prof. MOSHE ZUCKER**

The funeral will take place today, Monday August 10, 1987 (Av 15, 5747), at 5.30 p.m. at Sanhedria, Jerusalem. Burial at Har Hazetim.

For confirmation of time of funeral, please call 02-631121.

With deep sorrow, we announce the death of

**WILLY (Benjamin) WEISS**

The funeral took place on August 9, 1987.

Wife: Miriam  
Daughter and son-in-law: Yehudit and Amatzia Kaplan  
Son and daughter-in-law: Dani (Benzi) and Hillary Weiss  
and all the family



# Libya jets bomb Chad troops after rout from disputed area

PARIS (AP). — Libyan jets yesterday bombed Chad troops along the northern Aouzou strip, one day after Chad claimed to have routed the forces of its North African enemy, a Chadian official in Paris said.

Chadian Ambassador Ahmad Allam-mi said the bombings were "intense and incessant." He gave no other details.

The Libyan planes were also rocking and dropping napalm on the town, the Chadian army high command said on N'djamena radio.

Saturday night Chad radio reported that its forces had recaptured the town of Aouzou and recovered the strip along its northern frontier with Libya, repelling a Libyan attack.

Libyan radio earlier yesterday threatened to retaliate for the attack in the Aouzou region, which is de-

scribed as being inside Libyan territory.

The radio also carried a similar message from Libya's foreign minister to the UN Security Council and the secretary-general of the Organization of African Unity (OAU).

"This aggression (on Libya) constitutes a threat to peace and security in the world and the region and a violation of international laws and conventions, a matter which gives (Libya) the right to reply to the aggression and to destroy its source," the message said.

Ambassador Allam-mi Ahmad, in an earlier Sunday interview yesterday on French Television, called the routing of Libyan troops "a great victory in the process of liberating our national soil."

But he added that the war with Libya will not be finished until Libya

recognizes Chad's claim to the northern frontier.

Chad radio said Libya wanted the region for uranium to use in building nuclear weapons.

A military statement read on state-run N'djamena Radio on Saturday night said government forces retook the remote desert town after blunting a Libyan advance on Bardai, some 70 kms. south of Aouzou.

Aouzou is the administrative capital of the so-called Aouzou Strip, a 110,000-square-km. region annexed by Libyan leader Muammar Gaddafi in 1973. The strip was the last part of northern Chad still controlled by Libyan forces, who were driven from their other military strongholds in the Central African country after a string of battles in January and March. (Reuters, AFP)



Chadian soldiers rejoice after capturing the town of Aouzou in northern Chad from Libya. Aouzou is located in the strip of territory seized by Libya 14 years ago. (AFP telephoto)

## 'Dirty tricks' charged before strike South Africa tense as black miners walk out

JOHANNESBURG. — The atmosphere at South African gold and coal mines was reported tense last night as thousands of black miners started the largest wage strike by refusing to go down the shafts for the night shift.

Union officials accused management of using "dirty tricks" in a bid to stop the dispute which poses a serious challenge to the white-led government. They said some miners were already being transported from their billets at the pits.

A spokesman for the National Union of Mineworkers (NUM) said fake pamphlets were being distributed in an attempt to prevent more than 200,000 miners at 46 gold and coal mines from stopping work.

NUM spokesman Marcel Golding told Reuters there were no reports of disturbances but the atmosphere was tense at mines where workers have been ordered to strike for better wages and conditions.

"All the dirty tricks in the book are being used to break the strike," said Golding. "Mine management is trying to disinform workers, pamphlets supposedly signed by the NUM and saying the strike is off are being distributed."

The NUM, the most powerful among black unions legalized in 1979, has said the stoppage could cripple more than half of South Africa's gold mines and a fifth of its collieries in an industry which provides more than 60 per cent of the country's export earnings.

Previous miners' strikes have led to violent clashes with security forces and the NUM this time ordered strikers to go home in a mass exodus from company-owned, single-sex

hostels.

Golding said thousands of migrant workers from Malawi and Mozambique would be allowed to stay because of the difficulties involved in transporting them back home.

Pretoria, alarmed by the increasing involvement of unions in the black majority's fight for political rights, said last week it was reviewing the trade union movement. Manpower Minister Pietie du Plessis told Parliament legislation could be introduced to restore "a balance of power" between worker and employer.

NUM officials yesterday said they had started transporting some of its 200,000 members from the 28 gold and 18 coal mines affected by the strike. The union began busing thousands of workers early yesterday from the Randfontein gold mine, about 100km. west of here.

The miners were scheduled to leave today, but NUM claimed its Randfontein members were told they would be forced to go underground and so they had left early.

NUM officials said they feared attacks by security forces and mine personnel when workers emptied the mine premises. They claimed "an unspecified number" of workers from Randfontein were arrested by police on Saturday.

South Africa's biggest labour federation, the Congress of South African Trade Unions (Cosatu), said on Saturday that any direct state intervention and injury or death of workers in the mine strike could lead to "generalized strike action involving every Cosatu affiliate." (Reuters, AFP)

## Aquino orders tighter curb on violence

MANILA (AP). — President Corason Aquino yesterday decreed criticism of her government since the murder last week of a cabinet member and said she had ordered sweeping measures to curb mounting violence.

Authorities soon will set up more checkpoints in the capital and intensify searches for illegal firearms, Aquino told officers of the Philippine Constabulary and the integrated national police. Customs agents had begun cracking down on weapons smuggling and the Supreme Court has eased the procedure for obtaining search warrants.

More than 50 policemen, soldiers and public officials have been killed in the Manila area this year including local government secretary Jaime Ferra who was shot to death August 2, along with his driver. Most of the murders have been blamed on communist rebels and most remain unsolved.

Aquino said there would be no "constitutional shortcuts to public safety. We shall protect our people's cherished rights and liberties by methods that will honor and not diminish them, even if they help the guilty escape as often as they protect the innocent."

Aquino said the security measures would apply for all. "Especially public officials... if an official cannot stand the heat, he should get out. No one shall be allowed to plead his office as a ground for exemption from the rigors of security measures."

DELHI. — Police have increased security in New Delhi on a tip-off that Sikh extremists with newly acquired automatic weapons planned an attack in the Indian capital this month, police said yesterday.

## 'Copters scan waters for mines Tanker leads U.S.-escorted Gulf convoy to Kuwait

MANAMA, Bahrain (AP). — Three Kuwaiti ships flying the Stars and Stripes and under U.S. naval escort, headed into the northern Persian Gulf yesterday with one of the tankers reportedly leading the way while ship-based helicopters scanned the waters for floating mines.

Iranian Prime Minister Hussein Musavi had warned earlier in the day of more mines and dangers to shipping in the Gulf, as long as the superpowers maintained their presence in the region.

The convoy was reported moving at a moderate 15 knots, about 100km. east of Saudi Arabia's coastal Ras Tanura oil terminal.

The 81,283-ton tanker Sea Isle City was leading the six-vessel convoy at least part of the time,

apparently to act as a buffer against mines, shipping sources said.

A fourth warship was "exploring" waters well ahead of the group, they said, and small utility helicopters, which are carried aboard ships, dragged sounding devices in the water to detect suspicious objects.

In New York, Defence Secretary Caspar Weinberger said yesterday that U.S. forces have destroyed mines near Kuwait in the Gulf as part of the American mission to keep waterways open and protect ships from Iranian attacks.

Weinberger told the CBS television network's interview programme "Face the Nation" that "We don't know if those specific mines were owned by Iran, but we have every reason to believe they were."

## Sri Lanka arms surrender hits snag

COLOMBO (AP). — The arms surrendered by Tamil militants hit another snag as Tamils in northern and eastern Sri Lanka staged a general strike yesterday to protest alleged torture killings by security forces. The government has denied the charge.

Meanwhile, thousands of Tamil refugees, some hauling all their possessions, were reported yesterday to be returning to their homes in the north, which has been a rebel stronghold.

## Many presumed dead in Soviet train crash

MOSCOW (Reuters). — Only a few passengers in the three rear coaches escaped death after two Soviet trains collided in a coal-mining district of southern Russia on Friday, *Komsomolskaya Pravda* said yesterday. It gave no casualty toll for the accident in which the locomotive of a grain-

laden freight train rammed a stationary passenger train bound from Moscow to Rostov-on-Don. Two rear coaches were destroyed and a third damaged.

The collision, caused by a failure of the locomotive's brakes, occurred at 1:32 a.m. on Friday.

## 'Ad hoc' U.S. foreign policy rebuffed by allies

SIMON HOGGART

WASHINGTON. — "It could be that the notion of 'American foreign policy' is a contradiction in terms," said one foreign diplomat in Washington last week. "You know, an oxymoron, like 'military intelligence.'"

This barb looked all the more appropriate at the weekend, after the U.S. suffered one of the most stinging humiliations of the past few years: every one of its European allies refused to supply minesweeping equipment for American escort ships in the Persian Gulf.

"The problem is," said another diplomat, "that foreigners tend to imagine that there is only one U.S. foreign policy, as in most countries. But in fact there are at least three, all the time: at the White House, the State Department and in Congress."

Three may well be an understatement. The Iran-Contra hearings, which came to an end last week, revealed that some of the most important areas of foreign policy were being run by several different, rival groups — many of whom felt it their duty to keep others in the dark.

The State Department was locked out of dealings with the Iranians when Secretary of State George Shultz indicated his disapproval of shipping arms to Tehran. Defence Secretary Caspar Weinberger thought the plan had been "strangled at birth" when he objected to it; in fact, the White House simply went ahead without telling him.

Meanwhile, if Admiral Poindexter is to be believed — something which several members of the joint

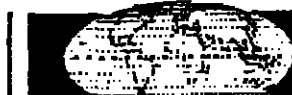
committees in Congress are unwilling to do — the president himself was not informed about critical decisions, such as the diversion of Iran arms sales profits to the Contras.

Oliver North was by his own account and that of several other people, running a one-man privatized foreign policy. He was also in cahoots with the director of the CIA, the late William Casey. Casey wanted to set up, with North, a super-secret organization to run operations so covert that they would be concealed from other branches of government and even from other officials in the CIA.

At the same time, Congress thought it was in charge of U.S. policy towards Nicaragua. Technically, the president runs American foreign policy, but Congress can exert influence by cutting off funds for certain purposes. This was the aim of the Boland amendment, which was supposed to prevent U.S. taxpayers' money from going to the Contras. The White House simply decided to act as if the amendment did not exist.

Shultz found himself being attacked by the president's closest supporters for his alleged disloyalty. He told the hearings he had been deprived of essential information, lied to, and on occasion was not even allowed a plane to take him abroad. He even tried to resign three times, and had to be dissuaded by the president.

In short, U.S. foreign policy had become not an orderly process, but a sort of American football game in which a series of territorial battles were fought with sudden and brutish severity.



## FOREIGN BRIEFS

### NY Mayor Koch leaves hospital

NEW YORK (AP). — Mayor Edward Koch left the hospital Sunday after treatment for a minor stroke.

"What you see here before you is a 28-year-old brain in a 62-year-old body," Koch told reporters outside Columbia-Presbyterian medical centre. "My intention is to bring the body...down to the age of the brain...I intend to lose some weight."

"I have a wonderful job as mayor," he added. "I intend to be here for a long time."

### 22 murders in one day in Rio de Janeiro

RIO DE JANEIRO (AFP). — Police found 22 corpses riddled with bullets in Rio de Janeiro on Saturday.

Although police said there were no leads in any of the murders, press reports and local residents were quick in attributing them to the city's notorious death squads, believed responsible for 1,000 vigilante killings here in the past five months. But police said wars among drug trafficking gangs over sales territories could also be responsible.

An investigation task force, presided over by Rio de Janeiro state vice governor Francisco Amaral, has announced the arrests of five alleged vigilante group members, including one former military police officer.

### No gays, therefore no Aids in China

BEIJING (Reuters). — Aids is unlikely to spread in China because homosexuality and casual sex are illegal and contrary to Chinese morality, an official magazine yesterday quoted public health minister Chen Minzhang as saying.

The *Beijing Review* said three people had died in China of Aids since 1985, an Argentinian, a Chinese-American and a Chinese haemophilia patient in the eastern province of Zhejiang, where three other haemophiliacs have contracted the disease and are in quarantine.

### Nagasaki marks 42nd anniversary of A-bombing

NAGASAKI (AFP). — Some 24,000 people attended a memorial service held here yesterday in Peace Park to mark the 42nd anniversary of the atomic bombing of the city.

The names of 2,359 victims whose death has been laid to the bomb over the past year were added to the roster, bringing the total to 75,767 killed in or as a result of the attack.

The death toll includes 105 foreigners, mostly Chinese and Koreans, who were used as forced labour in the naval shipyards here.

Nagasaki was attacked three days after the first atomic bomb was dropped on Hiroshima.



This is a 1986 file picture of Nabila Khashoggi, 25, daughter of Saudi billionaire Adnan Khashoggi, during the Paris-Dakar rally in the Niger desert of Tenere. Libyan leader Muammar Gaddafi married her recently, according to the Italian daily *Corriere della Sera*, thus clinching a deal with her father for the sale of 100,000 barrels a day of crude oil at the knockdown price of \$15 a barrel, \$5 less than the prevailing price. (AFP telephoto)

## 6 dead, 106 hurt in Chile quake

ARICA, Chile (AP). — At least six people died and 106 others were injured when a strong earthquake rocked northern Chile on Saturday, police said.

The tremor, registering at least 6.6 on the Richter scale, was felt in Arica, a Pacific port city 2,050 kilometres north of Santiago near the Peruvian border. Iquique, 310 kms. to the south, and in the southern Peruvian towns of Tacna, Moquegua and Arequipa.

Early reports from Saturday's quake indicated most of the damage was in northern Chile.

However, the casualty toll was expected to rise as reports arrived from remote towns and villages, isolated by landslides resulting from the earthquake. In Iquique alone, 170 people were left homeless when more than 50 homes were destroyed.

## Druse, Christians bear coffin as Chamoun laid to rest

DEIR AL-KAMAR, Lebanon (Reuters). — Druse militiamen joined forces with their traditional Christian foes yesterday to carry the coffin of Finance Minister Camille Chamoun to his grave in his home town in the Shouf mountains.

The coffin, draped in the Lebanese flag, was borne shoulder-high by Druse fighters and Christians from the entrance of Deir Al-Kamar, now controlled by Druse chief Walid Jumblatt, as church bells rang out and mourners wailed.

Jumblatt, who met the funeral procession with 50 white-turbaned sheikhs, told reporters he was attending the funeral "to tell the whole world it is always possible for Christians and Muslims to live together."

Druse marksmen patrolled rooftops while others saluted the funeral cortege of Chamoun, president from

1952 to 1958.

The procession, led by Chamoun's sons, had driven 35km. from Christian East Beirut to Deir Al-Kamar through rugged mountains held by Syrian troops.

Chamoun, 87, one of the few Lebanese politicians to die of natural causes during the country's 12-year-old civil war, suffered a fatal heart attack on Friday.

More than 22,000 of Deir Al-Kamar's 25,000 residents fled after the Druse defeated the Christians in mountain battles in 1983.

Chamoun and his family had not visited their home town since the 1983 battles and had been at odds with Jumblatt since the civil war began in 1975.

"With Chamoun, there was always a basis for dialogue but now there is nobody left to talk to," Jumblatt said.

## Saudi king thanks Mubarak for support

CAIRO (AP). — King Fahd of Saudi Arabia thanked President Hosni Mubarak yesterday for Egypt's support after recent riots in Mecca that killed more than 400 people.

Following the riots last Friday, which the Saudis blamed on Iranian pilgrims to the holy city, Mubarak

telephoned Fahd to express Egypt's support of the Saudi stand.

Saudi Arabia has not had diplomatic relations with Egypt since it signed a peace treaty with Israel in 1979, but the two countries maintain interest sections in Cairo and Jeddah.

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## Limits Of Power

### How the Democrats Are Kept on the Defensive

By LINDA GREENHOUSE

WASHINGTON It came as no surprise that the 100th Congress spent much of its first seven months exploring the limits of power.

The joint committees investigating the Iran-contra affair shone a harsh spotlight on the use and abuse of executive power. How to assure respect for the limits of power will be a central theme of the committees' final report. That much was expected. But outside the committee room, somewhere along the way from the ebullient opening of Congress in January to its ragged departure this weekend for the August recess, a lesson was being learned about the limits on another source of power, the power of Congress itself.

The Democrats who now control both Houses of Congress for the first time in the Reagan era learned that winning the majority was not the same as winning the power to control events, or even to shape them. Time after time, the Republican minority has demonstrated that being out of power need not mean being out of political instincts. President Reagan, weakened by foreign policy scandal and his lame-duck status, has nonetheless refused to slide into the irrelevancy that Democratic leaders keep predicting for him.

Events last week illustrated the degree to which both the Republican minority and the President retain the ability to keep the Democrats frustrated and off balance.

Just when the perception of the Administration's policy in Nicaragua might have finally gained the upper hand, the political mix became thoroughly unsettled. First, there was the surprise announcement of a White House-initiated peace plan, in which the President, by appropriating

the language of his opponents, threw them back on the defensive. Democrats, suspecting a design to bolster the case for renewed military aid this fall, still could not reject a proposal articulating their own long-stated goals.

The Democrats' early difficulty was only intensified by the role played by the House Speaker, Jim Wright of Texas. Mr. Wright had actually drafted the Reagan plan, at the behest of an old friend, Tom Loeffler, a former Republican Congressman from Texas who is now the White House emissary to Congress on Central America. To his colleagues' criticism, Mr. Wright said that once he was told that his help was needed, he had no choice. Friday, as word reached Washington that the leaders of five Central American countries meeting in Guatemala City had accepted a Costa Rican-sponsored regional peace plan, which the Administration could not reject out of hand, the Speaker and Congressional Democrats were looking considerably more at ease with one another. (The evolution of an accord, page 5.)

#### The Power of the Veto

A second event last week was a reminder of another constraint on Congressional power, the continued potency of the President's veto. The Federal Communications Commission repealed the fairness doctrine, which for 38 years had required television and radio stations to broadcast opposing views on matters of public importance. Anticipating the move, Congress earlier this year voted to make the fairness doctrine legally binding, but was unable to override a veto, leaving the F.C.C. free to act. (On another regulatory issue, a veto threat forced a compromise measure on banking, the first in five years, that shored up the savings and loan industry.)

Among pending legislation that Mr. Reagan is threatening to veto is the trade bill and the catastrophic health insurance bill, a major domestic policy initiative

with great public appeal that passed the House last month. Mr. Reagan has also said he would veto the House version of welfare revision. He has vowed to veto any tax increase and he has refused to cooperate in Congress's tortured search for a budget for the next fiscal year and for a plan to reduce the budget deficit.

Congress did enact two laws over the President's veto early this year, the renewal of the Clean Water Act and a massive highway construction bill. But those votes reflected the irresistible appeal of bills that were basically public works measures, providing jobs and Federal money for many Congressional districts, rather than any resurgence of Congressional power.

Senator Robert C. Byrd, the majority leader, took to the Senate floor two weeks ago to assail the veto strategy, accusing Mr. Reagan of fostering the politics of confrontation and trying to make Congress the "fall guy."

Filibusters, as well as vetoes, have left Senator Byrd seething with frustration. A filibuster by Republican senators has prevented even the start of debate on the annual military authorization bill, which contains some Democratic aims: control measures; Senator Byrd's personal legislative priority, the revision of Federal campaign laws, providing spending limits and public financing for Congressional campaigns, has been mired in a Republican-led filibuster for months. It takes 60 votes to end a filibuster, an elusive number for the 54 Democrats.

The stakes in these partisan confrontations go beyond the fate of individual bills. Both parties have their eyes on 1988, and a solid record of accomplishment by the Democratic Congress could be of major benefit to the party's Presidential hopes. Conversely, as Paul G. Kirk Jr., the Democratic national chairman, warned the Democratic governors a week ago, the party's prospects will suffer if Republicans are able to "control the dialogue" on the budget, taxes and other issues. But Con-

gress left for its four-week recess without an agreement on reviving the balanced budget law, which was aimed at getting Mr. Reagan to sit down with the legislators.

President Reagan's nomination of Robert H. Bork to the Supreme Court has also made Congressional Democrats uneasy, with Senator Byrd warning his colleagues that the tone of strident opposition that emerged in the first few weeks could backfire. Democrats spent hours on the floor last week delivering speeches on the Senate's right to examine the nominee's views as well as his credentials. From the extent of their effort, it was evident that they believe the public still needs to be persuaded that the Senate should be other than a rubber stamp in the confirmation process, which begins Sept. 15.

On foreign policy, opinion polls showing that the public has more confidence in Congress than in President Reagan to handle that area do not appear to have infused Congress itself with much confidence. New York Times/CBS News Polls have asked: "Who do you trust more to make the right decisions on foreign policy—Ronald Reagan or Congress?" In November 1986, as the Iran-contra policy was unraveling, 61 percent answered Congress; 27 percent, the President. Eight months later, even after the testimony of Lieut. Col. Oliver L. North had produced a measurable surge of support for the Administration's policy in Nicaragua, 60 percent answered Congress to the same question; only 24 percent chose Mr. Reagan.

Paralysis in a 'Dangerous World'

Yet Congress remains all but paralyzed in foreign affairs, unable to translate deep disquiet over Reagan Administration policies into coherent initiatives of its own. The sustained Congressional uproar over the Administration's actions in the Persian Gulf ultimately produced nothing more than a few nonbinding resolutions.

Late in the week, President Reagan took defensive action against Congressional demands for legislation on notification of covert actions, which had mounted as the Iran-contra hearings highlighted flaws in current procedures. In a letter to Congress, he laid out new guidelines, applying to all agencies, including the National Security Council, which he said would soon be codified in "executive documents." They included a commitment to tell key legislators within 48 hours of the start of future secret operations and of private and foreign involvement.

It is as if Congress, while rejecting the messengers, has internalized the message that a stream of witnesses delivered to the Iran-contra committees: the inevitable primacy of the Presidency in a "dangerous world."

### Iran Seeks to Ward Off Enemies With Threat of a Holy War



By ALAN COWELL

DUBAI, United Arab Emirates THE crisis in the Persian Gulf is deepening, assuming more than ever the character of a religious war by Iran against fellow Moslems. Last week it shook the Islamic world, threatening many conservative Arab regimes.

With the United States poised to increase its military presence in the gulf, moreover, the crisis has thrown into sharp relief the growing rivalry there between Moscow and Washington. The United States prepared to send mine-detecting helicopters and, reportedly, helicopter gunships and commando teams to bolster its protection of re-registered Kuwaiti tankers against Iranian attack. (U.S. military options, page 3.) This policy has moved Iran to new heights of anti-American rage, as it sees Kuwait as an ally of Iraq, its enemy in a seven-year-old war.

Moscow, meanwhile, seemed to be seeking influence on both sides of the widening divide, matching its low-key, unpublished military protection of Kuwaiti oil exports with a delegation to Teheran that sought long-range economic deals.

"The real prize in the region is Iran," said a West European diplomat in Kuwait. "The Russians know it."

What convulsed the region anew was the blood-stained event at the Islamic Holy City of Mecca in Saudi Arabia nine days ago. At least 400 Moslems were killed in rioting during the annual pilgrimage, more than half of them Iranians.

#### Attacks on Saudis

The conservative Saudi regime accused Iran of fomenting the violence, seeking, according to one Saudi newspaper, to have the two million pilgrims acknowledge Ayatollah Ruhollah Khomeini, Iran's revolutionary leader, as the spiritual head of all Islam. The Iranians called the Saudis lackeys of the United States and accused them of massacring Iranians at Washington's behest.

Even without political overtones, such bloodshed at Mecca would have represented a profound shock for Moslems, a desecration of their holiest shrine at the most pious event of the religious calendar. (Policing the pilgrimage, page 3.)

But Iran's response added a new and ominous element of jihad, or holy war, to what seems a desperate and angry effort to pre-

vent a coalition of pro-American forces from forming against it.

"We will avenge the martyrs by purging the holy shrines in Mecca of the wicked Wahabis and by uprooting the Saudi leaders from the region," declared Akbar Hashemi Rafsanjani, the speaker of the Iranian Parliament. The Wahabis are a strict sect of orthodox Sunni Moslems whose numbers include the Saudi royal family; Iran's rulers are of another sect, the Shia.

The invective, according to many analysts, was the most blatant evocation ever of the schism between Iran's Shites and the Sunnis, who predominate in much of the Arab world. Saudi Arabia's Wahabi elite, moreover, has come to regard itself as the custodian of Sunni purity and orthodoxy. In the past, there have been sharp differences between Saudi leaders and Iranian revolutionaries, who assert that Islamic fervor is incomplete without a political mission—in Teheran's case, its campaign against the Great Satan, the United States.

The message seemed directed particularly at the large Shiite minorities living not only in Saudi Arabia, but also in such conservative gulf states as Kuwait and Bahrain, all three of which now have military relationships of

varying extents with Washington.

Of the world's 850 million Moslems, 90 percent are Sunnis. But in Bahrain, Shites are estimated to make up at least 60 percent of the population of 360,000; in Kuwait, Shites make up a third of the population of 600,000 to 700,000. In Saudi Arabia, the demography has a particular significance: oil is concentrated in the kingdom's eastern province, which is heavily populated by Shites, who do most of the labor in the oil fields.

#### 'Martyrdom' Maneuvers

As if to reinforce the nervousness it sought to induce—and to force its neighbors into neutrality—Iran embarked on naval maneuvers code-named Martyrdom, saying it was massing land and sea forces along the gulf and into the Strait of Hormuz at its mouth.

The exercises started after the latest American naval convoy had left the gulf, suggesting that Iran, for all its rhetoric, had no desire for actual combat with United States forces. Moreover, Teheran's maneuvers did not seem to disrupt a de facto truce in the "tanker war" conducted by Iraq and Iran on gulf shipping. Since the United Nations Security Council ordered a cease-fire in the Iran-Iraq war last month, there had, by

week's end, been no reports of renewed hostilities in the shipping lanes. Both sides said the land war was continuing.

Iran's message for other gulf states, however, seemed an ambiguous blend of bellicosity and diplomacy, suggesting what some regional specialists called differences of emphasis among Teheran's leadership. Iranian delegations were dispatched to several Islamic countries to explain their case. But, at the same time, the warnings continued.

The maneuvers showed, said one Teheran newspaper, that Iranian forces "are the ones who hold the initiative in the Persian Gulf" and would "show to the dirty and tyrannical rulers of Riyadh and Kuwait that Iran's threats and responses to every act of mischief are not empty and devoid of meaning."

The response among many Arab states in the gulf was to offer public support for the Saudis, defying Iran's threats and deepening its isolation in the Islamic world, as French and American naval reinforcements were heading for the region. Isolation may not prove a deterrent to some of Iran's leaders, a regional specialist said, arguing that those of strong religious belief do not object to a minority status, which serves only to enhance their sense of righteousness.



# The World

## U.S., Soviet Agree To Speed Work on Draft Arms Treaty

The major obstacle to a new Soviet-American arms control treaty is Moscow's demand that the American nuclear warheads on West Germany's short-range Pershing 1A missiles be eliminated.

Last week, two of the principal officials involved — Max M. Kampelman, the senior American arms negotiator and Eduard A. Shevardnadze, the Soviet Foreign Minister — met in Geneva, and agreed to speed up work on a joint draft treaty.

The purpose was to have it ready in time for a meeting expected next month in Washington between Secretary of State George P. Shultz and Mr. Shevardnadze. But there was no indication that the two sides were close to solving the problem of American warheads on West German missiles. Mr. Shevardnadze said the shorter-range missiles must be eliminated; Mr. Kampelman said these missiles were not to be included in the medium-range missile treaty. Intermediate range is from 600 to 3,000 miles; shorter range from 300 to 600.

Mr. Shevardnadze had said earlier that if the United States refused to remove the warheads, Soviet allies could ask Moscow for "the stationing of similar systems on their territories, and the Soviet Union could meet their request." Mr. Shevardnadze said this would result in an agreement that was "truncated, emasculated and anemic" — not the kind of treaty likely to be the centerpiece of a meeting in Washington later in the year between the Soviet leader, Mikhail S. Gorbachev, and President Reagan. Washington wants such a meeting. But some officials feel the Soviet leader is winning a game of international public relations as Moscow announces shifts of position, then waits for Washington to react.

Some experts have speculated about agreement on a compromise plan under which West Germany would not replace the aging Pershings when they became obsolete.



Soviet Foreign Minister Eduard A. Shevardnadze in Geneva.

## A British Party Votes to Merge

Because they held only 5 of the 650 seats in the British Parliament, there did not seem to be overpowering reasons for the Social Democrats to continue as an independent party. For the June election campaign, they had joined the Liberal Party in the Alliance. Last week, in a bitterly contested sequel to the poor election showing, the Social Democratic rank and file voted for negotiations that are expected to produce a formal merger with the Liberals late this year.

The Social Democrats were started in 1981 by a handful of former Labor Party leaders who were put off by Labor programs that would have ended Britain's special relationship with the United States and its role as a nuclear power. The founders included David Owen, a former Foreign Secretary.

The Liberal-Social Democratic Alliance was designed in hopes of displacing Labor as the second-largest party or achieving a broker's role in a coalition Government. But Neil Kinnock, the Labor leader, tempered his party's radicalism and broadened its appeal. In June, Prime Minister Margaret Thatcher's Conservatives won 376 seats in Parliament, Labor came in second with 229, while the Alliance took only 22 seats — 17 Liberals, 5 Social Democrats — although it got 23 percent of the vote.

Dr. Owen, who had been the Social Democratic leader since 1983, opposed the merger, and resigned after 57 percent of the 58,500 party members who cast ballots voted for it.

## Pope Will Meet Jewish Leaders

When Pope John Paul II gave an audience in June to President Kurt Waldheim of Austria, it elicited out-

raged protests, particularly from Jewish leaders, in Israel and the United States.

That was because the Pope not only received Mr. Waldheim, who served during World War II in German army units that have been implicated in deportations of Jews in Greece and reprisals against partisans in Yugoslavia, but also because he praised him and did not mention the Holocaust. The meeting appeared to threaten gains made in Jewish-Catholic relations and to jeopardize a largely ceremonial meeting between the Pope and American Jews to take place in Miami next month during his second trip to the United States.

But last week, the Pope agreed to meet in the Vatican with spokesmen for Jewish organizations before he leaves for the United States. The executive director of the World Jewish Congress, Elan Steinberg, said the representatives at the Vatican meeting will convey their "anguish and pain as well as their shock and dismay" at the Pope's June 25 audience with Mr. Waldheim, who has denied wrongdoing.

The Austrian, a former Secretary General of the United Nations, has been barred from entering the United States because of a Justice Department finding that he "participated in activities amounting to persecution" of Jews and others. The World Jewish Congress made available documents purporting to show that Mr. Waldheim was involved in war crimes. Mr. Steinberg said the meeting with the Pope in Rome would not immediately end threats by some of them to boycott the Miami meeting.

## U.S., Vietnam Resume Talks

The United States has refused to open diplomatic relations with Vietnam, but officials of the two countries have been talking for years about 1,700 Americans still listed as missing since the United States troops quit the war in 1973. Despite persistent reports that some of the Americans may be alive, no conclusive evidence has been found. Last week, a high-level American delegation went to Hanoi and agreed to add "certain humanitarian concerns of Vietnam" to the agenda.

But, in a terse statement, the Americans and Vietnamese said humanitarian issues "should not be linked to broader political questions such as normalization [of relations] or economic aid." "Technical experts" will meet soon to discuss ways to speed up accounting for the missing Americans.

John W. Vessey, a retired Army general and former Chairman of the Joint Chiefs of Staff, headed a nine-member delegation of American officials and families of the missing. He declined to elaborate on the official statement. But Nguyen Dy Nien, a Vietnamese Deputy Foreign Minister, said talks would begin this month. He added that there might be a separate discussion of the Vietnamese offspring of Americans. Neither side knows how many remain in Vietnam, but some are old enough to be eligible for Vietnamese military service, which could compromise their claims to American citizenship.

## Cabinet Minister Killed in Manila

Philippine Communist urban guerrillas known as "sparrows" have claimed responsibility for half of the more than 50 murders of police and military officers in Manila since a brief cease-fire collapsed in January. The police blame right-wing groups and nonpolitical criminals for many of the other killings. Last week, a right-wing Cabinet minister and a military officer were gunned down, fueling criticism of President Corason C. Aquino and her Government for a 30 percent increase in crime this year.

Jaime Ferrer, the 70-year-old Secretary of Local Government, and his driver were killed Sunday on a street near Mr. Ferrer's suburban home. Four days later, Rosendo Nuval Jose, 68, a retired navy captain, was murdered on a Manila street.

The "sparrows," urban units of the Communist New People's Army, had placed Mr. Ferrer on a hit list, but the police said his death might also have been commissioned by right-wingers attempting to destabilize Mrs. Aquino's Government or by a disgruntled former official. Mr. Ferrer, who was appointed in November to placate military critics of the Government, had supported anti-Communist vigilante groups, and dismissed leftist officials.

Mrs. Aquino called his murder "senseless and barbaric." Explaining the authorities' failure to solve the crime, she said "We cannot just arrest a person or detain a person unless we have all the sufficient evidence necessary."

James F. Clarity,  
Milt Freudenheim  
and Katherine Roberts

## Gandhi Looks to Sri Lanka Accords to Restore Popularity

# How India Plies Its Regional Interests

By STEVEN R. WEISMAN

**A**FTER an initial flush of satisfaction over its success in negotiating an accord in Sri Lanka, India has begun a period of soul-searching. The agreement, which provides 5,000 Indian troops to guarantee a solution to the island nation's ethnic conflict, has enhanced India's stature in the region, but it also has created enormous new burdens and risks.

In the short term, at least, the accord has provided a badly needed lift for Prime Minister Rajiv Gandhi. He has been beset by problems ranging from a revolt in his Congress Party to allegations of covering up a defense contract scandal. His popularity has plummeted, particularly among the urban middle class, his former stalwarts. Mr. Gandhi's aides clearly hope the Sri Lanka agreement will restore his reputation as a shrewd, far-sighted and even courageous negotiator. And they took heart from the outpouring of sympathy when a Sri Lankan sailor swung his rifle at a military ceremony, grazing Mr. Gandhi's shoulder and neck. The attack may remind a country shaken by terrorism and assassinations that, for all his faults, Mr. Gandhi remains its most powerful force for unity.

### Awkward Responsibilities

In Sri Lanka last week, Tamil guerrillas, who have been waging an insurgency against the Sinhalese majority since 1983, began surrendering weapons to Indian peacekeepers. Critics in India persisted, however, in attacking the haste with which the accord was pushed through and provisions to enforce it. There was concern that President Junius R. Jayewardene of Sri Lanka might back away from a provision for elections in the northern and eastern provinces. And if the guerrillas do not hand over all their weapons, this could produce fighting between Indian troops and the Tamils. Mr. Jayewardene, however, said he would ask India to withdraw its forces this month, if the situation remained stable.

Many critics pointed to the awkwardness of using Indian forces to buttress President Jayewardene as well as protect Tamil interests. "India is now Mr. Jayewardene's sword arm, champion of Tamil rights and mediator, all in one," wrote B. George Verghese, a respected commentator. "India's neighbors, especially the smaller among them, may also be expected to look warily at this new unfolding."

### Concern About China

Not since 1971, when India invaded East Pakistan and helped it become the nation of Bangladesh, has New Delhi so blatantly intervened in a neighboring country. But there have been many precedents. Indian independence in 1947 left several semi-autonomous states, which New Delhi had no qualms about seizing, starting with Hyderabad. In 1960, India seized the tiny Portuguese colony of Goa, and in 1974 it annexed the semi-autonomous Himalayan Kingdom of Sikkim.

There has also been ample precedent for India to demand that its smaller neighbors adhere to foreign policies consistent with its interests. In the 1950's, Bhutan, also a Himalayan kingdom, agreed to let India provide for its defense and basically determine foreign policy. India's concern was China, with which it fought a disastrous war in 1962. Another neighbor, Nepal, bowing to Indian demands, recently dropped plans to have Chinese engineers work on a highway.

Now New Delhi is demanding that Sri Lanka conform to India's policy line. Officials here say Sri Lanka will have to dismiss its British and Israeli counterinsurgency advisers, and that a long-planned Voice of America transmitter in Sri Lanka may be in doubt, unless Washington can convince India that the facility will not monitor



Indian soldier guarding weapons given up by Tamil guerrillas in Jaffna, Sri Lanka.

warships in the Indian Ocean.

Bangladesh and Pakistan undoubtedly took umbrage at the Sri Lanka accord. Bangladesh has been plagued by a nearly identical situation to Sri Lanka's — an insurgency by tribes that Bangladesh's leaders contend are supported from bases inside India. Would India intervene if the Bangladesh military attacked these rebels? Pakistan, meanwhile, fears an Indian incursion aimed at suspected Sikh terrorist bases.

Mr. Gandhi, in promoting the accord inside India, has emphasized the removal of Western and other foreign influences invited into the region by Sri Lanka. There was also a domestic quotient to the equation: peace in Sri Lanka may bring stability among 50 million ethnic Tamils in the southern state of Tamil Nadu, 20 miles across

the Palk Strait. Only 25 years ago, Tamils in India were agitating for secession, leading New Delhi to promise not to impose the northern language of Hindi on the south. Recently, the people in Tamil Nadu have felt enormous sympathy for Tamils believed to be persecuted in Sri Lanka, but they have also showed growing impatience with Tamil intransigence, internecine warfare among Tamil rebels and a crime and narcotics wave among Sri Lankan Tamils in India.

These pressures were no small factor in Mr. Gandhi's determination to act decisively in Sri Lanka. But if India's intervention turns into a long-term proposition, today's euphoria may be replaced by new frustrations and questions about whether India has gone too far in enforcing its interests in the region.

## Tired of Pinochet but More Leery of the Left

# Chile's Elite Seeks 'Soft Landing'

By SHIRLEY CHRISTIAN

**"S**OMETIMES I have a dream," a bank chairman said recently, leaning back in his chair. "It is that democracy returns to Chile, that I still have my car and house, my stock is secure, and the country takes off in fantastic development — instead of the left bringing back another Allende nightmare." The banker's attitudes are shared by many Chilean businessmen and industrialists.

As Gen. Augusto Pinochet approaches his 14th anniversary in power, apparently determined to stay on well into the 1990's, in private, and more cautiously in public, they express a desire for democracy. But they fear the kind of political free-for-all that culminated in 1970 with the election of President Salvador Allende Gossens on a coalition ticket of Socialists and Communists. While largely respecting civil liberties, the Allende Government launched an aggressive campaign of nationalizing businesses and other socialist efforts, stirring widespread opposition that led to the 1973 military coup.

### Plebiscite Plan

Vivid memories of that era, and fears that Chile's fragmented political parties will do no better this time around, make it unlikely that the business elite will emulate the strong stance against military government taken by some of their counterparts elsewhere in Latin America. Most Chilean business leaders neither totally reject General Pinochet nor strongly support another eight-year term. As part of a phased return to democracy under the 1980 Constitution, a one-time plebiscite is expected next year, with a single candidate to be nominated by the general, who is head of the army, and the three other military commanders. The 71-year-old leader's plan to nominate himself is opposed by the other com-



Gen. Augusto Pinochet

manders, who want a civilian candidate to make clear the transition to democracy.

The business leaders do not necessarily agree with the right-wing politicians, whose parties have the backing of about one-third of the electorate. The rightist parties range from two that were formed as campaign vehicles for General Pinochet to old-line, conservative democratic parties that openly oppose him and would like competitive elections instead of a plebiscite.

Some political parties to the left of center, particularly the non-Leninist faction of the Socialists, have criticized the business leaders for not coming out openly against General Pinochet, arguing that this demonstrates that they are not really committed to democracy. The more cen-

trist Christian Democratic Party, Chile's largest party, has had discussions with businessmen about the economy but has not directly criticized them.

With the economy rapidly recovering from the deep recession of 1982-83, most private-sector leaders are preoccupied with increasing their already impressive exports and with internal expansion. Ernesto Ayala, president of the Society of Industry and head of the big Paper and Carton Manufacturing Company, said the primary concern was that free-market economic policies continue, whatever the government. "We have been preaching to the politicians, loudly, that a few principles should be maintained," he said. Mr. Ayala is confident that the military intends to keep its word and gradually return Chile to democracy.

### Support for a Civilian

Several businessmen said they favored the proposal advanced by the three other military commanders — most clearly by Gen. Fernando Matthei, the Air Force commander — to name a civilian candidate for the one-man plebiscite. General Matthei reportedly hopes such a candidate could be selected with consensus support, including that of the Christian Democrats.

The military leaders are supposed to unanimously nominate the candidate 30 to 60 days before the vote, which is expected in the last quarter of 1988. If the commanders cannot agree on the candidate, the decision would be up to the National Security Council, a broader group made up of military and civilian officials.

But in the interests of military unity, it is expected that either General Pinochet will persuade the three commanders to support him or they will win him over to another candidate.

The leader of an organization of small-business people who requested that his name not be used said he thought it was too soon for open elections in Chile. He also said that he would prefer "a civilian backed by the armed forces" in the plebiscite and that he would vote against General Pinochet.

Hernán Cubillos, a prominent businessman and former Foreign Minister in the Pinochet Government, said recently that he favored "an ordered return to democracy," but that a "transition" would be needed in which civilian society "will have to walk beside the armed forces."

Roberto de Andraca, the head of the Pacific Steel Company, a big industrial concern, said Chileans "don't want to choose between Cuba and Pinochet." What the country needs, he said, is a "soft landing."



## A Nationalist Is Punished for Three Words Published Abroad

## Israel-Jordan Alliance Quietly Takes Root on the West Bank

By THOMAS L. FRIEDMAN

**F**EW Israelis have ever heard of Saeb Erakat, a West Bank Palestinian who has never been considered dangerous enough to grab many headlines here. But his story speaks volumes about the state of Israeli-Palestinian relations and the uncertain prospects for eventual negotiations.

Mr. Erakat is a 32-year-old political science professor at the West Bank's al-Najah University in Nablus. He also used to be the university's spokesman. He is by his own definition a "moderate" Palestinian nationalist, who is ready to live alongside Israel, provided an independent Palestinian state is created in the West Bank and Gaza.

But moderates of Mr. Erakat's persuasion no longer seem to be of interest to the Israeli Government. Since Jordan broke with Yasir Arafat's Palestine Liberation Organization in February 1986, King Hussein has been working secretly with Israel to supplant even relatively moderate Palestinian nationalists with pro-Jordanian Palestinians who prefer that the West Bank be reintegrated with Jordan. Under this developing Jordanian-Israeli condominium over the West Bank, King Hussein and his supporters would dominate Arab life. Israel would control overall security and the Jewish population, while advocates of an independent West Bank Palestinian state would be reduced to marginal status. Israel hopes to gain a cooperative, quiescent local Arab administration, while King Hussein would increase his influence in hopes that if any of the land is one day relinquished by Israel the inhabitants would vote to return to Jordan — and not for an independent Palestinian entity.

## Three Disputed Words

Mr. Erakat became an apparent victim of this policy around midnight on June 4, 1986. Israeli troops broke into the al-Najah campus looking for P.L.O. literature and carted off most of the files in his public relations office. The military government later charged him with "incitement" because of three words he had written in the June 1986 al-Najah University newsletter, which was found in his files. The newsletter is published in English. It is not distributed in the West Bank, but only to 3,000 university friends abroad. In an article, Mr. Erakat wrote that after 19 years under Israeli rule, Palestinians must learn to "reject, endure and resist" all forms of occupation.

During a military trial last spring, Mr. Erakat argued that he had been calling for patience and passive resistance, not armed struggle. He testified that he had brought students from Tel Aviv to meet students at al-Najah and could hardly be called an advocate of violence. Mr. Erakat, who earned a doctorate at Bradford University School of Peace Studies in England, was also one of



Bus carrying Palestinians across the Allenby Bridge, which separates the West Bank and Jordan; Saeb Erakat.

the few in his community who dared sign a petition denouncing the stabbing by Palestinian militants of a 70-year-old Jewish man. For such stands, he was branded a "Jew lover" by Palestinians who totally reject Israel.

But on April 6 the military judge found Mr. Erakat guilty. The judge said that although the newsletter was written in English, someone could have translated it and sent it back to the West Bank to be read by young Palestinians. The military prosecutor argued that while Mr. Erakat was not a violent man, he was a respected opinion leader and should be made an object lesson. On July 16, he was given an eight-month suspended sentence and fined \$6,250, Mr. Erakat's teaching salary for half a year.

"When I listened to that sentence I thought to myself, the Israeli occupation must really be in trouble," said Mr. Erakat. "If they have reached the point of fining someone like me \$6,250 for three words written in English and sent abroad, then the occupation is not working

and they are really getting nervous. They have become politically blind." Indeed, the seeming inability or unwillingness of the military government to distinguish between a Saeb Erakat and a bombthrower raises serious questions about prospects for eventual peace negotiations. Israel has long professed to be interested in negotiating with legitimate, moderate Palestinian nationalists who are not P.L.O. members. But since the understanding with Jordan, Israel appears to be increasingly less able to tolerate, let alone nurture, such individuals.

"Today in the West Bank you must either be pro-Jordanian or shut your mouth," said Mahmoud Abu Zulf, the Palestinian nationalist editor of the newspaper al-Quds in Jerusalem. Although no charges have been filed against him, the Israeli Interior Ministry recently forbade Mr. Abu Zulf to leave Israel for one year.

Israel makes its own definitions of what constitutes a Palestinian "moderate" or "extremist." And since the

de facto alliance with Jordan, Israel seems to have lowered the threshold of extremism to include the likes of Mr. Erakat. In the last year, the Israelis used the stick of expelling without trial Akram Haniye, a Palestinian activist and editor of the newspaper As-Shaab. Jordan, meanwhile, used the carrot of rewarding its supporters in the West Bank and Gaza with jobs, passports and passes to cross the Jordan River bridges. Jordan, which still controls and pays the salaries of many schools, charities and municipalities in the West Bank, also purged dozens of Palestinian nationalists from these institutions.

"When I say I am a moderate," explained Mr. Erakat, "I mean that a just peace can be achieved between Israelis and Palestinians that will include security, independence and dignity for both sides. Unfortunately, today when Israel thinks of a Palestinian 'moderate' it thinks of someone who sees only through its eyes, hears only through its ears and speaks only through its mouth."

## An Attack Could Provoke Range of Responses

## What Options For Action in Persian Gulf?

By RICHARD HALLORAN

**A**LTHOUGH Secretary of State George P. Shultz asserted last week that the United States could avoid hostilities in the Persian Gulf, specialists on the region and senior military officers were not so sure.

In a news conference Thursday, Mr. Shultz said: "I don't think there is any prospect at all that we will be drawn into a shooting war." The same day, however, the Assistant Secretary of State for Near Eastern Affairs, Richard W. Murphy, said tensions "are perhaps higher than they have been for the last few years."

"One way that Iran could strike out is through international terrorism," Mr. Murphy said. Military officers, echoing the Chairman of the Joint Chiefs of Staff, Adm. William Crowe Jr., said the American presence in the gulf was "not risk-free."

The possible contingencies for combat are varied, as are the chances for success of the American forces in the gulf. Some missions seem possible, others more difficult for tactical, diplomatic and domestic political reasons.

Should Iran openly attack a tanker flying an American flag, or a United States warship, or an American embassy in the region, American retaliation could be swift, given the United States armada, which will soon have about 24 vessels and 15,000 men in the region.

An air strike could come from the carrier Constellation in the Arabian Sea, just outside the gulf. It could also be mounted by B-52 bombers flown from Guam and refueled on the island of Diego Garcia 2,000 miles away in the Indian Ocean.

Eight warships in the Middle East task force could fire on Iranian coastal targets. Marine artillery specialists could be slipped ashore to direct the gunfire so there would be no repetition of the kind of attacks that mostly missed targets in Lebanon in 1983.

By midmonth, the battleship Missouri is due to arrive in the Arabian Sea, along with six other ships. Since naval officers oppose sending a battleship into the gulf's confined waters, the Missouri's huge 16-inch guns may not be fired. But she is armed with Tomahawk cruise missiles that could be fired from far at sea at targets 500 miles inland.

## Missiles From the Sea

Another possibility is that cruise missiles could be fired from submarines in the Arabian Sea. The Iranians would never know where they came from. The Navy does not disclose submarine movements, but it is standard for at least two to accompany an aircraft carrier. Many of the submarines have been armed with Tomahawks.

While retaliation might be relatively simple, a larger military operation would be extremely difficult if an Iranian invasion of Kuwait or Saudi Arabia prompted a request from their governments for sustained American military support.

Marines could be flown in and then pick up arms aboard ships that would have sailed to the gulf from Diego Garcia. Paratroopers could reinforce the marines. The terrain would favor American forces, since the invasion route from Iran to Saudi Arabia is a narrow corridor on the west coast of the gulf.

But the mission would be difficult. The Strait of Hormuz is halfway around the world. The United States does not have the air and sea transport to sustain a flow of troops, weapons and supplies, and lacks bases, communications and water supplies in the region. "Anyone thinking of sustained operations in that part of the world would be nuts," said an officer privy to the thinking of the Joint Chiefs of Staff.

A greater difficulty would arise from an attack of ambiguous origin, such as the bombing of an American embassy or an explosion aboard a fishing boat that had sided up to an American warship. So far, the Administration's policy has been not to retaliate unless an attacker has been identified.

In any event, the United States apparently cannot count on being joined in the gulf by allies in Europe, despite indications last week that they might give advice on sweeping mines there.

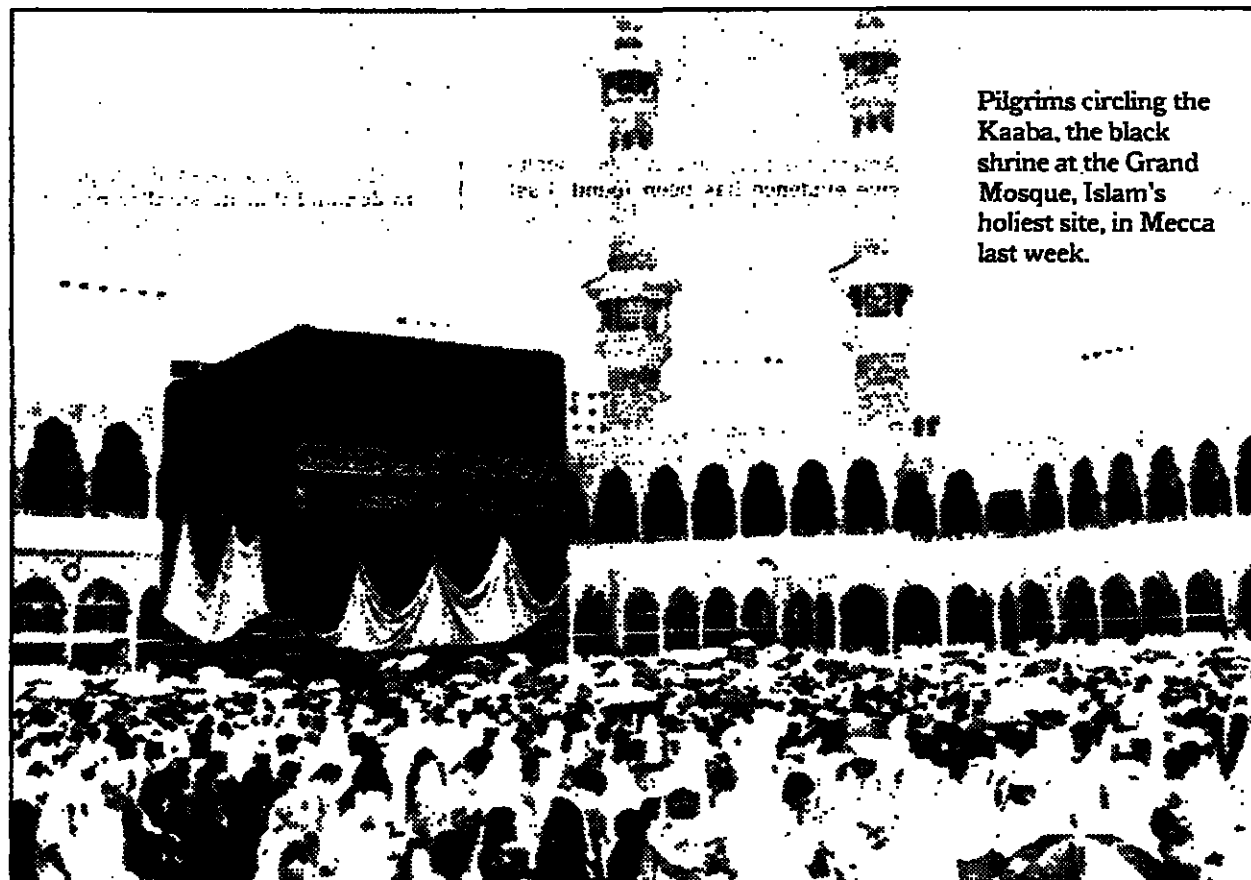
It would be "out of the question," said an Administration official, for the Europeans to send forces or to permit the United States to use bases in Europe. And they would balk if the United States tried to dispatch American forces in Europe to the gulf. Nor could Washington count on help from Turkey, Japan or even most Arab nations, officials said.

As for the Russians, who began seeking a foothold in the region long before Rudyard Kipling wrote about the czarist drive south to a warm-water port, the best guess here is that they would complain loudly about American military action. But Moscow would probably do nothing because that would risk a wider conflict for which it is unprepared.

In Washington, opposition to the Administration's gulf policies seemed to be growing.

One hundred members of Congress said they would seek to invoke the War Powers Act. That act, approved after the war in Vietnam, says the President can send troops into "imminent danger" for only 60 days, unless Congress approves a longer mission.

## Saudis Must Deal With 2 Million Pilgrims Each Year



Pilgrims circling the Kaaba, the black shrine at the Grand Mosque, Islam's holiest site, in Mecca last week.

## Ancient and Modern Conflicts Of Islam Merge During Hajj

By ELAINE SCIOLINO

**A**T the end of the annual hajj, or pilgrimage, to Mecca last week, King Fahd of Saudi Arabia told Muslim leaders from 123 nations, "We will never relent in the defense of our homeland and sacred shrines, with souls and money."

Indeed, the hajj is both the Saudi kingdom's strongest claim to legitimacy and its biggest security nightmare. Riots nine days ago in Mecca that killed more than 400 people illustrated the difficulty of keeping peace every year in Islam's holiest city.

Most of the dead were Shiite Muslims from Iran, and the incident focused attention on the historical antipathy between two main branches of Islam: the Sunnis, who make up 90 percent of the world's Muslims, and the Shites, who account for the vast majority of Iran's Muslims. Islamic leaders around the world reacted to the deaths almost predictably along religious lines. Most of the leaders, who are Sunnis, praised the Saudi handling of the violence, which the Saudis said was provoked by Shites. But some Shiite leaders, who sympathize in varying degrees with the goals of the Iranian revolutionary regime, said privately that the Saudis were to blame, that their forces panicked and fired into the crowd.

The hajj period has always been fraught with danger. At least 40 people are trampled to death each year, and others die of heatstroke and disease. Despite the grueling rituals that must be performed, the hajj attracts the elderly and the sick, who may be comforted by the belief that if they die while making the pilgrimage, the reward is paradise.

## Billion-Dollar Investment

Since 1979, when a group of Saudi fundamentalists seized the Grand Mosque in a violent siege that lasted several days, the Saudi Government has poured billions of dollars into new security measures, closed-circuit television, housing, transportation and health services for the more than two million pilgrims who each year pour into a city designed for 500,000 people.

"It takes you four years to conduct the Olympics

only once," said the Saudi Ambassador to the United States, Prince Bandar bin Sultan. "We have to do this every year."

Even though Islam forbids violence and the bearing of arms during the hajj period, every year Iran's spiritual leader, Ayatollah Ruhollah Khomeini, exhorts the world's oppressed Muslims to turn the pilgrimage into a "battlefield." And nearly every year since the start of Iran's 1979 revolution Iranian pilgrims have fomented some sort of disturbance. The Saudis said that last year they confiscated 95 suitcases from Iranian pilgrims that contained explosives.

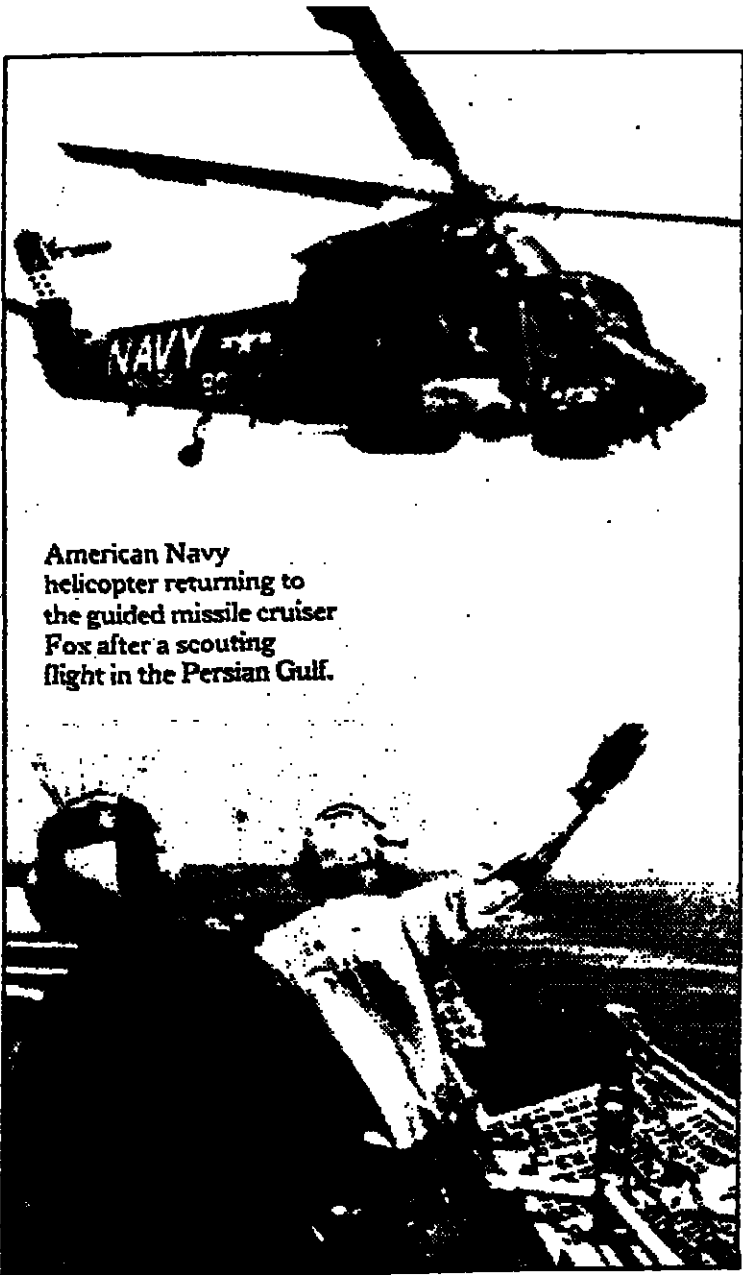
## A Private Message

This year, President Hafez al-Assad of Syria brought a private message to Saudi Arabia's King Fahd from Iran's President indicating Iran's intentions to keep the hajj peaceful. Instead, according to the Saudis, a sizable contingent of revolutionary guards believed to be within the ranks of Iran's 154,000 pilgrims instigated riots and attacked the Saudi security police with knives and sticks. The Iranians contend that the people were massacred when the Saudi police opened fire on the crowd; the Saudis say the pilgrims were trampled to death.

The conflict between the Saudi Arabs and the Persians dates back to a seventh-century dispute over the succession to the prophet Mohammed. The Saudis adhere to the mainstream Sunni branch that holds that the successor was to be chosen through a process of consultation, while more than 90 percent of Iranians belong to the Shiite branch that believes the leadership must remain within the prophet's family.

Compounding the tension between the two groups is that, since the 18th century, the Saudis have belonged to the revivalist Wahabi movement, which, as part of its crusade to purify Islam, destroyed a number of Shiite sanctuaries, including the holiest Shiite shrine at Karbala, in what is now Iraq, in 1802.

"The roots of this conflict are historical and psychological," said John L. Esposito, author of a number of books on Islam and the director of international studies at Holy Cross College. "The irony of the riots this year is that the symbolism and purpose of the hajj is to underscore the unity, equality and brotherhood of Islam."



American Navy helicopter returning to the guided missile cruiser Fox after a scouting flight in the Persian Gulf.



Attorney General Edwin Meese 3d (right) and Richard Tierney, a Customs Service special agent, holding some of the cocaine seized in Chicago.

## As Agencies Bicker, Some Funds Go Unspent

# Infighting Hampers Anti-Drug War

By KENNETH S. NOBLE

WASHINGTON

LIKE the angler who has hauled in a big fish, Attorney General Edwin Meese 3d flew to Chicago the other day to pose for pictures before fruit boxes loaded with nearly three tons of uncut cocaine, believed to be the largest shipment ever seized by law-enforcement officials.

"This case represents the very best in coordination among agencies," Mr. Meese declared.

When Customs Service agents found the cocaine aboard a ship docked in Miami last month, hidden in 130 boxes under a thin layer of plantains, standard procedure would have been to seize it then and there. But this time, they allowed the cache to be loaded and followed it on a journey that ended in a Chicago warehouse, where officials of a different agency, the Drug Enforcement Administration, arrested the people who came to meet it.

"What we've found in recent years," Mr. Meese said, "is that while no single agency can put together a huge case like this alone, a lot of agencies working closely together can be extremely effective."

### A Debatable Point

But many members of Congress, as well as critics outside Government, would retort that it doesn't work out that well most of the time. The Customs Service, the Federal Bureau of Investigation and the D.E.A. are among more than three dozen Federal agencies responsible for halting the flow of drugs into the United States. Because of jurisdictional boundaries created decades ago, rivalries are endemic.

Customs officials, for example, have long voiced frustration about not being able to pursue cases based on evidence they turn up in border searches. In February, disputes

among Federal officials even blocked publication of the annual estimate of the nation's drug problem — a report that the Administration has called key to its "national crusade" against drugs.

"The lack of a clear lead role by any one agency," said a recent report by the House Government Operations Committee, "is the major contributing cause of the current state of Federal anti-drug abuse efforts, characterized by overlapping jurisdictions, uncertain leadership, and 'turf battles' that frustrate the success of many narcotics programs."

If anything, the longstanding interagency disputes appear to have worsened since President Reagan signed the sweeping Anti-Drug Abuse Act of 1986. Even before the bill became law, agencies were maneuvering for a larger slice of the \$1.7 billion the act provided. Several agencies are still bickering, for example, over what kind of radar balloons to spend \$71 million on. The blimp-like balloons carry radar aloft to detect smugglers' low-flying airplanes.

Last May, in an effort to "add new vigor and a more comprehensive approach" to the Government's anti-drug efforts — and in response to the 1986 law, which required a plan to end fighting among the agencies — the Reagan Administration designated the Customs Service as the lead agency in the effort to halt drugs at the border and assigned the Coast Guard the main role against maritime narcotics smuggling. The two were to share responsibility for intercepting airborne drug shipments.

But the approach has not satisfied critics in Congress who have long sought the appointment of a Cabinet-level "drug czar" to oversee all Federal initiatives.

Both the House and the Senate approved bills to create such a position in 1983, but the Justice Department insisted it would be counterproductive, and President Reagan

vetoed the legislation. Senator Joseph R. Biden Jr., the Delaware Democrat who is seeking his party's Presidential nomination, re-introduced the bill this spring, saying drug-control money was being wasted because of "an acute lack of leadership."

### 'A Wacky Idea'

But Stephen Trott, the Associate Attorney General, called the proposal "a wacky idea that's not going to solve the problem."

"You don't need some person coming in and trying to tell Cabinet secretaries what to do," he said. "It completely upsets the Cabinet form of government we now have."

Despite the successful coordination of the Chicago seizure, Mr. Trott says it is far too early to tell whether the Administration plan will solve the jurisdictional disputes. "Come back in six months," he said, "and we'll be able to show you what we've got."

But critics say Congress is losing patience with the Administration, and if results are not forthcoming soon, there is enough sentiment in the Democratic-controlled Congress to override the President's veto.

Representative John Conyers Jr., a Michigan Democrat, for example, has in the past opposed the drug-czar proposal. But now he believes the fight against drugs needs someone who could make the Cabinet cooperate and alleviate disputes over domain.

"The agencies are still fighting among themselves, and it sometimes gets pretty nasty," Mr. Conyers complained.

Still, the basic question is how much the Government can hope to accomplish through law enforcement alone. A General Accounting Office report released in June said the Government spent \$822 million last year to intercept drugs, seizing 27 tons of cocaine, 1,106 tons of marijuana, 9 tons of hashish and substantial amounts of heroin. But it was still just a fraction of the illegal narcotics smuggled into the country.

## The Region May Hold Key to White House in '88

# Democrats Seek to Rise Again in the South

By WARREN WEAVER JR.

WASHINGTON

IN the last two Presidential elections, the 11 states of the Old Confederacy produced Republican majorities 21 times out of 22, only failing to support Ronald Reagan and his once-despised party when Jimmy Carter clung to his home state of Georgia in 1980. If the Democrats are going to stand any chance at all of recapturing the White House next year, political professionals agree, they are going to have to reclaim states their party used to take for granted.

Democratic leaders see last November's election results as demonstrating that the corner has been turned in the South. Democratic candidates won five Senate seats previously occupied by Republicans and picked up four House seats. But Republicans counter that they displaced Democratic governors in the important states of Florida and Texas, and, most startling of all, captured the Statehouse in Alabama for the first time in more than a century.

More clues to the course of Southern preference are likely to surface in the next three months while Mississippi and Louisiana conduct campaigns for governor. In Mississippi last week, Republicans, in their first contested primary since 1979, overwhelmingly nominated Jack Reed, a 63-year-old businessman and former chairman of the state Board of Education. Among the Democrats, State Auditor Ray Mabus, 38, who took more than twice the vote of his nearest opponent, still faces a run-off Aug. 25 against Mike Sturdivant, a 59-year-old plantation

owner who spent more \$1 million on his campaign.

In Louisiana, the lone Republican gubernatorial contender, Representative Bob Livingston, is competing against the incumbent, Gov. Edwin W. Edwards, and four other Democrats in the nonpartisan primary peculiar to that state. A candidate winning a majority on Oct. 24 becomes governor; if no one does, as is likely, the top two vote-getters will compete in a runoff Nov. 21.

### The 'Yellow Dog' Vote

Republicans are more optimistic about both races than history appears to warrant. The party has not elected a state official in either state in this century, although Mississippi sent Thad Cochran, a Republican, to the Senate in 1978 and 1984. Michele Davis, executive director of the Republican Governors Association, said both gubernatorial contenders were "quality candidates with the ability to cut into the 'yellow dog Democratic' vote." (She was using the memorable terminology of an Alabamian who in 1928 said: "I'd vote for a yellow dog if he ran on the Democratic ticket.")

Since President Reagan took office, his party has added about 100 state legislators in the Old Confederacy. But it still only has about 390 of 1,660, or 24 percent in the region. Advances on the local level are harder to document because contests there are often officially nonpartisan.

In this fall's Mississippi gubernatorial contest, Miss Davis predicted, Mr. Reed should attract Democratic votes in his home northern section of the state, and black votes because of his strong civil rights record. In Louisiana, Republicans are hopeful that Representative Liv-

ingston could win a runoff against Governor Edwards, who was acquitted of racketeering and fraud charges last year. Democrats are inclined to agree: they hope the runoff may pit Representative W. J. (Billy) Tauzin, a Democrat, against the Governor instead.

Whatever happens to its lineup of governors this fall, the South cannot avoid being a political battleground in 1988. Next March 8, 14 Southern and border states will choose delegates who will collectively make up about 30 percent of the Republican and Democratic conventions. (Six states in other regions will also pick delegates.) This massive primary exercise, was organized by Southern Democrats to help promote a more moderate candidate early in the selection process. Republican strategists now believe it may assist their cause.

The prospect of choosing between seven or eight Democrats who can be painted as liberals, they say, will encourage Democratic voters to move instead to the Republican primaries with their more conservative candidates. Such crossovers are now legal in eight of the states and may be in a ninth by next March. Such a migration could have two effects: Republicans consider beneficial. It could swell the Republican turnout, thus encouraging more Republican voting in the general election, and it could enable the Rev. Jesse Jackson to accumulate an even larger share of the Democratic vote than he is expected to, very possibly winning in some

states. Any maneuvers increasing his convention influence would be advantageous to the eventual Republican nominee, many Republican leaders believe, because Democrats would be more deeply and visibly divided.

But Bernard Craighead, the Democratic National Committee's Southern political director, predicts that centrist candidates with Southern roots, such as Senator Albert Gore Jr. of Tennessee and Representative Richard A. Gephardt of Missouri, will keep Democrats in their own primaries. He concedes Mr. Reed may "make it a race" for governor of Mississippi, but he believes Mr. Mabus, with technological support new to the state, such as the Election Day mobilizers known as phone banks, should win. To help him and other candidates the Democrats convened a "Super Tuesday Summit" in Atlanta in June to talk about ways to pull their vote.

## Verbatim: Cracking Down

From now on, you are going to go where I want you to go, when I want you to go, and for the length of tour I want you to serve. . . . We're going to get back to the idea that everyone is an infantryman.

Gen. Alfred M. Gray

the new commandant of the Marine Corps, describing his plan to enforce discipline.

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# Israel's Artists Deal With An Endless War

**Israeli musicians, film makers and visual artists first confronted — and now avoid — the conflict around them.**

By THOMAS L. FRIEDMAN

TEL AVIV Israeli radio and television went on a three-day strike a few weeks ago, and a strange thing happened here — everyone in the country was thrilled. Israelis loved not having to hear their local news. Many said it was like being on vacation without having to leave home. One college student remarked, "Now, if only the newspapers would go on strike, we could really relax."

This desire to tune out the news is critical to understanding what is happening today in the Israeli art, music and film worlds. Twenty years after the 1967 Six-Day War, artists, songwriters and film makers have almost entirely dropped the Arab-Israeli conflict as a subject for their work, after a decade — between the 1973 war and the 1982 Lebanon war — in which it was a prominent theme.

Israeli art today is in what might be called its "post-Sidon" phase, Sidon being the Lebanese port where so many Israeli soldiers were killed during the 1982 invasion. The era is characterized by the exhaustion here with what seems to be an endless war and an overriding desire to escape, to shut out the world and emotionally disengage. A recent hit song by Israel's most popular singer, Arik Einstein, could be the anthem for the times. One verse goes:

There are people who hunt for tigers  
There are people who dive for pearls  
There are people who build towers  
And there are those who fast for months  
But I love being at home with my lemon tea and old books  
I love being at home  
With my beloved and some old habits.

It wasn't always this way. The manner in which the Israeli art, film and music worlds — three of the areas best suited to expressing political sentiments — have dealt with the Arab-Israeli dilemma in the past two decades has gone through some radical transformations.

Confronted with daily newspaper headlines shouting "No Exits" and "No Answers" to the Arab-Israeli conflict, painters have increasingly sought refuge in the abstract, after a decade of some powerful antiwar and protest art.

At the same time, many songwriters have retreated from stirring lyrics about the quest for peace or the building of a nation, which once characterized Israeli music, to individual-

rael conflict after 1967 came in the form of documentaries.

"Life here was supplying much better scripts than anyone's imagination could," explained Micha Shagrir, one of Israel's leading film producers and directors. "You were able to find with a television camera scenes which no Hollywood director would dare install on a set. For years, no one wanted to compete with reality."

## 'A Burst of Frustration'

Most of the post-1967 documentaries addressed Israel's interaction with the newly occupied West Bank and Gaza Strip. Typical of this genre was Mr. Shagrir's own work, "The War After the War" — a 1969 black and white rapid-fire collage of contrasts that switched back and forth between scenes of a defeated Arab world preparing for another round and exultant, almost giddy Israelis sampling the fruits of victory.

"The war is over," asks a voice in the film. "But is the war over?"

After the 1973 war answered that question with a resounding "no," a new generation of Israeli film makers gradually began to examine the conflict through fictional feature films. Arabs, who before 1967 tended to appear in Israeli films as merely local color, now started to appear as victims, as in Danny Wachsmann's "Hamsin," a 1983 film about an Arab working for an Israeli farmer who falls in love with the farmer's sister. In the end the Arab gets killed — by the farmer.

Other important feature films included Uri Barbash's 1984 "Beyond the Walls," one of the most widely viewed films in Israel, about friendship between Jewish and Arab prisoners in an Israeli prison; "Avanti Popolo," produced by Mr. Shagrir, about two Egyptian soldiers lost in the Sinai Desert after the 1967 war and the relationship that develops between them and the Israeli soldiers they meet along the way, and also Mr. Rubinstein's 1986 "Nadia," the story of an Israeli-Arab high school girl who leaves her Arab village to attend an Israeli Jewish school.

"These films were like a burst of frustration," said Mr. Rubinstein. "Suddenly everyone was writing scripts about the conflict and what it was doing to us."

Although the conflict is also reflected in the works of Palestinian creative artists, limited resources and constraints on their freedom of expression have greatly curtailed their output, particularly in film.

## Focus on Absurdity

Throughout the late 1970's and early 1980's these Arab-Israeli themes preoccupied Israel's new generation of film makers — and then, almost as suddenly as they exploded on the screen, they started to fade.

"The 1982-1985 Lebanon war, which also produced its share of films, appeared to be the turning point. Perhaps this was because even many of those Israelis who publicly opposed the Lebanon invasion secretly shared the hopes of the invasion's architects that it would, with one swift blow, get rid of the Palestinian problem once and for all.

After it became clear that this would not be the case, film makers

school graduation and induction into the army. Although the movie takes place in 1970, it could have been about last summer — and that is the point. For Israeli 18-year-olds nothing has changed.

"It is the speed that they make you into a soldier here that never ends," moans one of the parents in the film before his son is drafted.

One critic, in fact, described the movie as a modern version of "the sacrifice of Isaac from the point of view of Isaac."

In the film, one of the members of the class, Yossi, gets killed three weeks after being drafted, and the movie explores the reaction of his friends. One of the most compelling scenes, in which many sacred cows were slaughtered, involves an irreverent skit the 18-year-olds produce for their graduation party. It culminates in a wry chorus-line chant, "It is good to die for your country." Then they engage in a dialogue from earth with their dead friend Yossi in heaven.

Shouting up to Yossi in paradise, his friends ask: "Yossi, did you meet God?"

"No," he says, "but I met Jimi Hendrix."

## The Anthems Fade

The Six-Day War was the last war Israelis wrote songs about — or at least songs they could all sing together. "Before 1967, Israeli songwriters always wrote in the royal 'we,'" said Ehud Manor, one of the country's most popular lyricists and music critics. "Songs were about the collective, about our shared experience. Even when you wrote 'I' you meant 'we.' Love songs tended to be written to the country, not to individuals. No one was writing songs with verses like, 'Put your head on my shoulder...'"

But just as the 1967 war and the occupation of the West Bank and Gaza Strip shattered the Israeli political consensus about what shape the country should take, so it shattered the subliminal music consensus as well. Each faction in the country had its own anthems, and its own songwriters. By the mid-1970's, explained Mr. Manor, "there was no way that you could sing 'we, we, we.' All of a sudden it was legitimate to write for just one segment of the population. You didn't have to sing for the consensus because there was no consensus."

At least three different, and to some extent opposing, songwriting trends appeared. One trend came to be known as the "Beautiful Land of Israel" school, consisting of songs that, while not overtly mentioning politics, spoke of a love for the land — all of the land, including the West Bank — and depicted an untroubled Israel. These songs were at once both new and nostalgic. One of the leading songwriters of this genre was Nomi Shemer, whose ballad, "On All of These," was taken up by the West Bank and Sinai Jewish settlers because of the song's prominent verse, "Don't uproot something that is planted."

The second school, which developed soon after the 1967 war, was protest music, some of it subtle, some of it not. Jacob Rotblit's "Song to Peace" was one of the most popular of these tunes, with its verse "Don't sing victory songs, sing to peace/ Don't whisper prayers, sing to peace with a great shout."

Mr. Rotblit had lost part of his foot in battle, so he knew whereof he sang. As the years went by, the protest music got sharper, culminating with the Lebanon invasion and songs such as Shalom Hanoch's "Doesn't Stop for a Red Light," which, though it does not say so explicitly, was understood by everyone to be about former Defense Minister Ariel Sharon.

But in recent years, the ring of protest has begun to wane. Singers see no sense in protesting when it seems nothing is going to change. Jacob Rotblit has gone back to writing love songs; others have experimented with gypsy music or with integrating Oriental Arabic musical motifs into Hebrew pop. Still others have retreated to "leave-me-alone" lyrics or mindless tunes epitomized by Israel's national entry to the Eurovision song contest this year — "Song of the Bums" — the main refrain of which was "hoopahoola, hoopahoola," sung by two Israelis dressed up like the Blues Brothers. It was a long way from the post-1967 anthem "Jerusalem of Gold."

Another recent Arik Einstein song, "Sitting Facing a Sheet of Paper," about a man trying to write a song, captures the sense of drift that has attacked an Israeli public overused on its own news:

Looking at the page burying my head in the sand  
Oh my country, oh my homeland,  
you're going kaput  
You broke my heart into little pieces  
We had a dream and now it's gone  
I am so sad I feel like crying.

## Questions and Boundaries

One of the first artistic reactions to the 1967 war was that of Avital Geva, a commander wounded in battle, who, shortly after he came back from the front, dug a hole in the ground of his kibbutz and another hole in the ground of a nearby Arab village and

then exchanged the dirt between them. Everybody got the message: There is no such thing as Jewish or Arab earth — it is the life that you make on top that counts.

Maybe even earlier than songwriters or film makers, Israeli painters and sculptors, many of whom are associated with the Israeli political left, were raising questions about the problems the West Bank occupation had bequeathed their country.

At about the same time Mr. Geva was digging his holes, the artist Pinchas Cohen-Gan was taking live fish, putting them in a huge plastic sleeve filled with fresh water and then dumping the whole thing into the salty Dead Sea, to illustrate the difficulties of living creations existing within an alien environment.

"At first there was a lot of questioning in the art," explained Martin Weyl, the director of the Israel Museum in Jerusalem. "Artists were asking: What is our identity? What are our borders? What are we versus

seum put on an exhibit called "Borders," which featured the plethora of Israeli paintings and sculptures concerned with the endless public debate about what shape the country should be, as well as the underlying sense that the 1967 war left Israel not with a feeling of expansiveness but rather with a feeling of confinement.

The show, which opened in 1980, featured works such as Michael Druks's "Israel Pattern," which

Dominated by smears of blood-red paint, these Gershuni paintings, along with the Hebrew questions written into them, convey at once a sense of lost life and lost innocence.

There was also some powerful graphic art produced during this conceptual phase between 1973 and 1982, such as posters done by students at the Bezalel Academy of Arts in Jerusalem, including one showing the stump of a leg, under the title "Israel Wants Peace." Another under the same title simply showed two grave-stones side by side — one with a Jewish star and another with an Islamic crescent. A collection of such antiwar images entitled "20 Years of Occupation" was recently featured at a Tel Aviv gallery. One of the most compelling pieces, an untitled work by Gabi Klezmer, depicted the haunting face of a Middle Eastern Everyman caught in the never-ending spiral of the regional conflict.

And then, as in song and film, the protest art began to die out, although not entirely. Many Israeli artists became caught up in the more abstract worldwide trend of post-modernism.

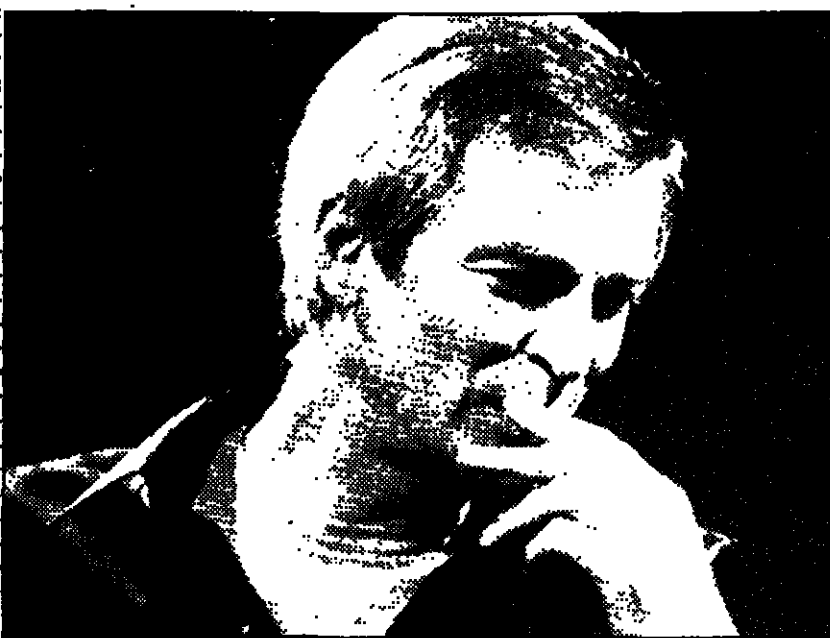
"To protest, you need optimism, and young artists today are not optimistic," said Ran Shechori, the director of Bezalel. "The trend now is anti-intellectual: to say nothing, or at least nothing clear."

## Flight Into Nature

Several months after the Lebanon war began, in the midst of the daily death toll announcements, the painter Moshe Gershuni abandoned his soldier and sacrifice of Isaac themes and found himself down in his basement one day painting flowers, mostly cyclamen and anemones.

"I asked myself, what are you doing? Are you crazy?" he recalled during an interview at his Tel Aviv home. But it did not take long for him to understand his flight into nature.

"I realized that if I didn't stop being involved, I would ruin myself," he explained in a voice that spoke for many. "It was time to take care of myself and stop carrying all the burdens of Jewish history. So I stopped reading newspapers and I stopped listening to the radio, and I am not a political animal anymore." □



Arik Einstein, Israel's most popular singer—His lyrics yearn for home, lemon tea and old books.

the Arabs? They were not pessimistic really, just questioning — but never triumphant. There was always the sense that we are somehow in a difficult situation."

This tone is starkly clear in the 1978 Igal Tumarkin sculpture protesting Jewish settlements in the West Bank. Made of earth and metal, the sculpture is an 18-foot-high birdhouse for doves that was built near the West Bank settlement of Shiloh by Mr. Tumarkin and the Peace Now movement.

There was enough such art being produced after the 1973 war and in the early 1980's that the Israel Mu-

shows the map of Israel with borders that can be adjusted like a dress pattern, presumably to fit every individual or politician's needs. Also displayed was Dalia Meiri's untitled work that looks like a huge wooden clothespin squeezing a rock — Israel.

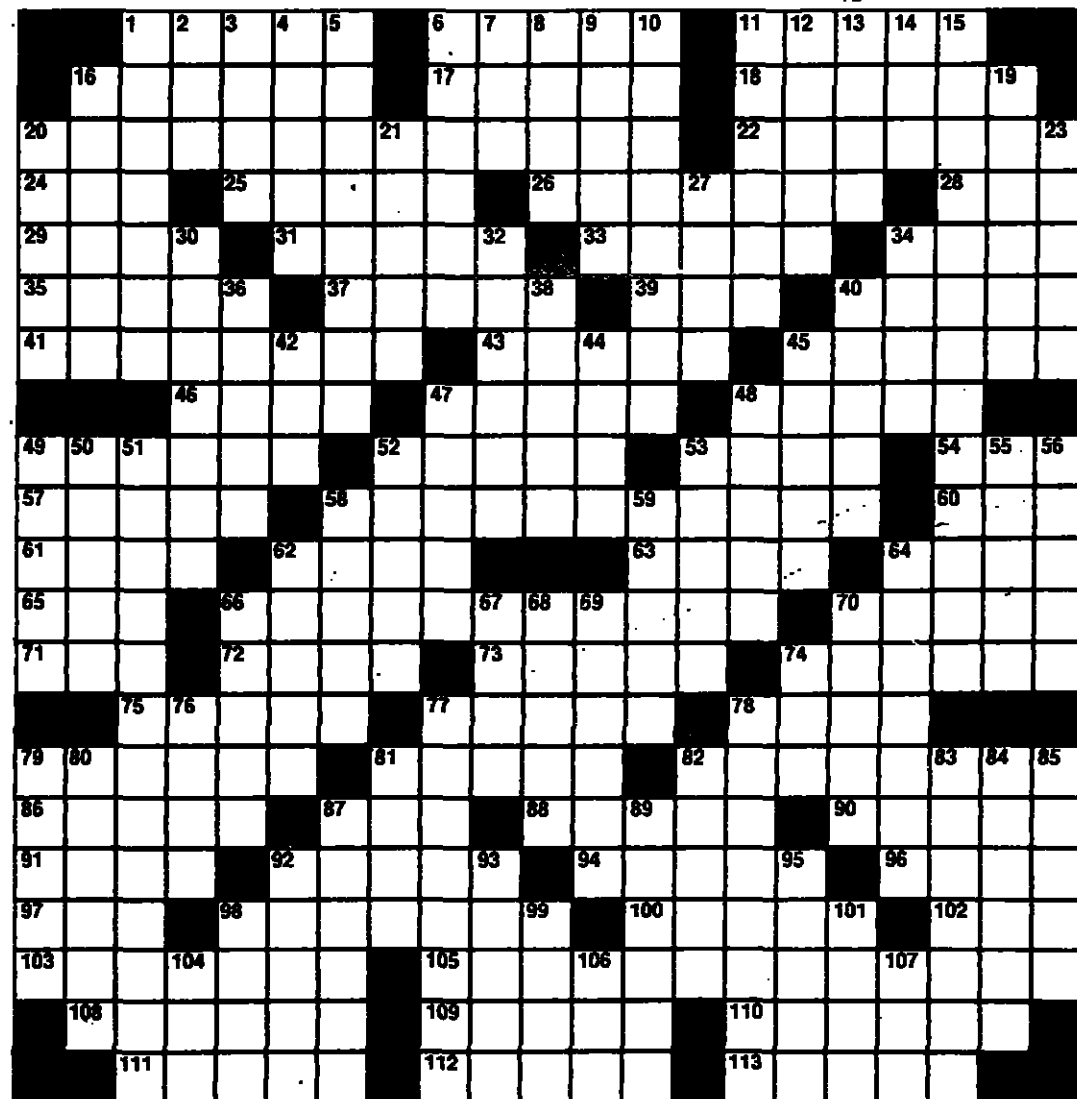
"The Lebanon war turned Israeli artists from self-questioning to accusing," said Mr. Weyl. "The sacrifice of Isaac became a dominant theme." That theme is vividly apparent in the paintings of Moshe Gershuni done at the start of the 1982 invasion, particularly Mr. Gershuni's "Little Isaac, Where Are You Going?" and "Where Is My Soldier?"

## Antilogous Words

BY T.W. UNDERHILL/Puzzles Edited by Eugene T. Maleska

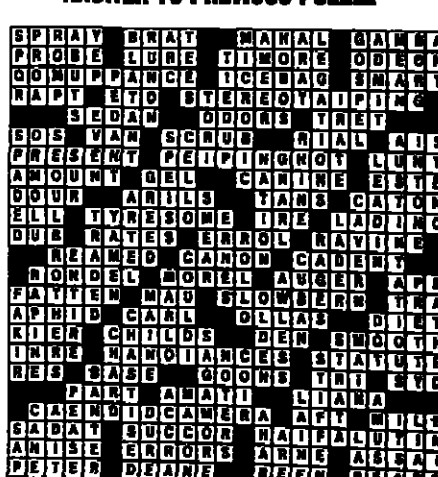
### ACROSS

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- 87 Sunshine product
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- 107 Wall Street term

## ANSWER TO PREVIOUS PUZZLE



Untitled work by Gabi Klezmer included in an exhibition called "20 Years of Occupation"

istic ballads of the heart — broken and otherwise — and to frivolous pop tunes.

As for film makers, they seem to be focusing less on Arab-Israeli relations and the actual war than on the often absurd predicament of a people too long at war. The theater has, more than any other medium, consistently grappled with the issue of Arab-Israeli relations, hence the changes in theater over the last two decades are less pronounced and less radical than in some of the other arts.

Maybe Israeli creative artists may come back to confronting the conflict directly, but not now. Because for now, "people don't want to know and don't want to hear," explained the film director Amnon Rubinstein. "We feel we are stuck in an impossible situation, and nobody has any solutions. It is like we are in a dark tunnel, and when we look around the only light we see is the train that is coming at us."

The first attempts by Israeli film makers to grapple with the Arab-Is-

rael conflict after 1967 came in the form of documentaries. "Life here was supplying much better scripts than anyone's imagination could," explained Micha Shagrir, one of Israel's leading film producers and directors. "You were able to find with a television camera scenes which no Hollywood director would dare install on a set. For years, no one wanted to compete with reality."

Several 1987 films reflect this post-Sidon phase, such as Schmuely Imberman's "I Don't Give a Damn," which deals with a soldier who is paralyzed in both legs during the war. The film traces his degeneration into self-pity with every step of his rehabilitation in a freakish hospital ward peopled with ex-soldiers missing arms, legs and hands.

## Isaac Updated

But maybe the best example of post-Sidon Israeli films is "Late Summer Blues," which opened the Jerusalem Film Festival this summer. Directed by Renan Schorr and produced by Ilan de Vries, the film ostensibly is about seven Israeli 18-year-olds during their summer break between high



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## To Stop Elected Dictatorships

Congress has just completed three months of hearings that have served the nation brilliantly.

The investigating committees — indeed, the whole process that began with the Senate Intelligence Committee, the Tower Commission and continues with the special prosecutor — affirm American democracy. The process proves the political system's strength, not its fragility. It counters abuse of power, and holds those who abused trust accountable. It deters future leaders who might be tempted to transform their election or appointment into limitless mandates for unlawful action.

Costs? Yes. But how else can officials in high office who violate laws be exposed? They don't quickly step aside as in parliamentary systems.

Fuzzy outcomes? Yes. How can it be otherwise when the basic problems stemmed from people far more than institutions, laws or policies.

The admiral, the colonel and other central figures in the fiasco have been removed from their offices. And none too soon. They were in the middle of plotting to expand their small and secret government into more illegal covert operations. Their scheme — to sell arms to Iran in exchange for American hostages, then use the profits to provide aid to the Nicaraguan rebels — has been thoroughly discredited. And even the White House now grudgingly acknowledges laws may have been broken.

The hearings were not about Persian Gulf or Central America policies, however much Reagan Administration defenders sought such a diversion. All were aghast at the stupidity of trading arms for hostages. The hearings won't have failed if Congress votes more aid to the contras. Supporters and opponents of contra aid were equally offended by the deceit and abuse of power.

The hearings weren't impeachment proceedings. There simply never was a Congressional appetite to force Ronald Reagan from office. A few committee members pronounced the proceedings over when Rear Adm. John Poindexter, the former security adviser, testified that he was stopping the

buck outside the Oval Office and that he never told his President of the contra diversion. That premature verdict misread the committees' mission, which required examining the President's mind but never was limited to whether he had guilty knowledge.

The committees did not design their effort to produce legislation. The major vice of Iran-contra was bad-faith avoidance of existing laws and of essential coordination within the executive branch itself. Some new laws may be needed to close loopholes. But a main task was accomplished when President Reagan was forced to replace key aides. Meanwhile, Congress educated itself and the public about the workings of power, no mean undertaking for a democracy.

Educational it was, but who could claim that it was cost-free? Ambitious legislators crowded the 26-member committees, forcing a focus on questioning by staff counsel that gave the proceedings a legalistic caste. Lieut. Col. Oliver North's theatrics inspired flag-waving imitations from his interrogators. Were intelligence matters compromised? Possibly, but no more than the capers that were predictably exposed by Iranians.

Was the President's hand crippled in foreign affairs? No. Where he has backing, as in nuclear arms talks with the Soviet Union, he proceeds with strength. Where differences existed as with aid to the contras, they remain. Where Congress can find no alternative, as in the Persian Gulf, he is permitted to follow his own course.

The costs pale in comparison to the benefits. The hearings happened because of a constitutional design the nation celebrates this 200th birthday year. Our sovereignty, as yet another Administration learns, is not vested in the President alone but is shared with Congress and the judiciary.

Congress, proceeding with abundant fairness, had many of its finest hours upholding the Constitution's integrity. Failure to have done that would have invited future zealots and liars, self-assured that they alone know the national interest, to transform American democracy into dictatorship.

## Magainin, Shield Against Disease

In July last year Michael Zasloff, a geneticist at the National Institutes of Health, watched an African clawed frog recover from a surgical incision. He had noticed the frog's sturdy healing process many times before, but this time he wondered why it healed so easily in tank water murky with bacteria. That was the first step toward a discovery that may prove of great importance to medicine.

The key, as is often the case in scientific discovery, was found by a researcher not so intent on his primary goal that he couldn't notice and pursue a quite different line of inquiry. Dr. Zasloff examined another healing wound for the white cells that fight off infection, and found none. That meant the frog's immune system was not involved, so he guessed that some potent chemical in the skin itself might be defending the wound from invading germs. Grinding up frog skin and screening its chemicals, he found two such substances, which he named "magainins," or shields in Hebrew.

The magainins are a new family of antibiotics with an unusually wide range. They kill bacteria, fungi, the yeast that often infects AIDS patients, and protozoans like those that cause malaria. They are not as toxic as many other powerful antibiotics.

As in Alexander Fleming's discovery of penicillin, chance observation was only the beginning of

the magainin story. Many others before Fleming had noted that molds, even *Penicillium* molds, inhibit the growth of bacteria. The plaque of dead bacteria he chanced on in 1928 had been seeded by a rare strain of *Penicillium* that produced copious quantities of antibiotic. Hence Fleming had no trouble showing that extracts killed bacteria in the test tube. But he failed to discover that penicillin would do the same when injected into the body.

That step was taken by Howard Florey and Ernest Chain 12 years later, just in time to save thousands of lives during World War II. Like many scientific discoveries, the discovery of penicillin was a complex series of events.

So too was the finding of the magainins, though Dr. Zasloff, aided by the immense power of modern biological techniques, performed all the steps in the discovery himself, in a single year.

Because of overuse, the present family of antibiotics is fading as bacteria acquire resistance. Only this week a new strain of gonorrhea has turned up that is resistant to three major antibiotics. The clinical value of the magainins has yet to be assessed. But even if only part of their laboratory promise is fulfilled, Dr. Zasloff will have produced a fine successor to penicillin.

## It's Still Calcutta, N.Y.

Scenes from a stroll along the Fifth Avenue side of Central Park:

Near 87th, stretched out on a bench, a ragged black man lay snoring. A thin white man, also ragged, watched him from behind a tree — with who-knows-what in mind. Then he realized that he was being watched and bolted down the street.

Near 85th, a short man in a plaid shirt shouted, "You're the problem; you're the enemy." Then, as he drew closer, he said: "Don't mind me. I'm crazy."

Near 84th, a woman wearing a coat despite the heat held out a paper cup and croaked, "Quarter for lunch? Quarter for lunch?"

Near 79th, sprawled awkwardly on the pavement against the park wall sat a frail older woman in a white linen suit with a Saks shopping bag. Had she fallen and hurt herself? The instinct was to help. But something seemed wrong. The suit, though obviously expensive, was quite soiled. The bag was worn. And her eyes stared vacantly as she picked and picked at a thread on her jacket.

Official policy is to provide such people community-based treatment rather than keep them in state mental hospitals. Yet there is all too little assistance actually available, leaving such unfortunate citizens only a choice of mass temporary shelters and the street. Some treatment. Some community.

## Study in Arrogance

Though an international treaty imposes a moratorium on commercial whaling, Japan is reported ready to approve the slaughter of 875 whales in the Antarctic this fall. Japan justifies the hunt by saying the whales would be used for scientific research — before being sold as meat. That use won't work anymore.

Until recently, any country was allowed to issue itself a permit to kill whales for scientific purposes. No standards governed such expeditions. When the moratorium began last year, South Korea, Iceland and Japan jumped at the opportunity to hunt whales under the guise of sci-

## Topics of The Times

ence. But in June the International Whaling Commission closed the loophole and set basic tests of authenticity for scientific research projects; those of Japan, South Korea and Iceland failed.

If Japan presses ahead with its plan, it will risk United States sanctions, which could reduce the allowable fish catch in U.S. waters or ban imported fish products. Yet Japan is said to be unconcerned with the economic impact of such sanctions.

Despite membership in the I.W.C., Japan has steadfastly resisted international efforts to regulate and safeguard whale populations, as if its longstanding cultural attachment to whaling and the consumption of whale meat somehow placed it above international law. The new whaling plan, in other words, has little to do with science and everything to do with arrogance.

## Insecurities

Ask New Yorkers which of their possessions they dread losing most, and the common answer will be, "My keys." Now those often-overlooked items, and the locks they fit, can be found in abundance at the Cooper-Hewitt Museum, in an engaging exhibit of security devices from antiquity to the present.

There are time locks, strongboxes and ornate papal keys, magnetic card keys and Kryptonite padlocks. Some keys — like watch keys — won't open anything. Others unlock memories, in a diary or jewel chest.

A good lock is a puzzle, with a solution that's convenient yet daunting. A combination of numbers, a password or fingerprint scan are the advances human ingenuity wins over its own deviousness — or that is the hope. Understandably missing from the exhibit are Permissive Action Links, the devilishly complex codes embedded in nuclear weapons. Only the high command possess the rights of passage. They hold the keys to kingdom come.

However sophisticated, locks and keys are quick fixes for moral decline, and as the burglar's tools on display suggest, every lock inspires its own defeat, its own insecurities.

## Letters

## Telling the Iran-Contra Knaves From the Fools

To the Editor:

"Stranger Than Fiction" (July 31), your editorial questioning Attorney General Edwin Meese 3d's early Iran-contra inquiry, states rather ambiguously, "bumbling and carelessness can never be dismissed as defenses." Surely you don't mean to class incompetence (like the "infancy defense") as a defense against culpability. Reasons that explain actions do not necessarily excuse them.

The more we mitigate turpitude with defensive pleas of diminished competence, the more our lies become mere misspeakings, our wrongs mere mistakes of judgment. Such is the moral fallacy of deflection that renders the venal act venial. The knave becomes "only human" if he can play the fool: do we prefer assuming shame to guilt?

As if only some modicum of competence were necessary to merit high office, we have heard one President protest, "I am not a crook," before he had to resign under impeachment threat just 13 unlearning years ago this week. Just last week a respected United States senator guessed, "It's better to be dumb than crooked." And now today another President blithely declares of the Iran-contra hearings, "I haven't heard a single word that indicated in any of the testimony that a single law was broken."

Only weeks ago he demeaned those who elected him by claiming they had turned away uninterested from the constitutional hearings to go back to their favorite daytime television programs. And now he deems his high office and that of the independent counsel he appointed by making a gratuitously prejudicial remark. Dumb or crooked? Fool or knave? Can he not hear, or will he not see?

In ordinary matters, indictments may be deserved by knaves, if not by fools. Yet neither deserves high of-

fice, and either may deserve impeachment. The duty to enforce the law, after all, invites higher public hopes than the mere duty to obey it. Swearing an oath to take care that the laws be faithfully executed invokes a constitutional standard of accountability such that competent care is just as necessary as moral and political good faith. Faith, hope and care.

A knave, guilty, may try to make amends; a fool, ashamed, may try to cover up or, as Senator Robert C. Byrd said July 30, to deflect public attention from a debacle. A man who sends hundreds of marines to Grenada just hours after hundreds are blown up in Beirut is a man who covers up by wrapping himself in the flag. Now he has hastily flagged foreign ships with our commitments just when he finds, as Representative Les Aspin suggests, the political sailing getting rough at home. And the casualties have begun again.

One of Shakespeare's tyrants advised, "Busy giddy minds with foreign wars." Is such folly venial or venal? Does our President keep the faith? Does he care? We can only hope. DONALD P. REUTLINGER  
New Salem, Mass., July 31, 1987

## Lying About Lying

To the Editor:

An unexpected educational outcome for the audience to the witnesses at the Iran-contra hearings has been the enlargement of its vocabulary of synonyms and euphemistic phrases for the word "lied."

"Withheld information" is, of course, the favorite expression. But "misled," "dissembled" and "boothed (inadvertently)" are also acceptable. "Deceive" is a possibility, but too perilously close to the taboo word. When confronted with a lie told several months ago, it is best to fall

back on "an error in judgment." This phrase is most effective when accompanied by expressions of deep remorse. EVELYN RASKIN DAWSON  
New York, Aug. 2, 1987

## Losers and Winners

To the Editor:

James Reston, in his swan song as a regular columnist (Aug. 2), says that if our Government were any better we wouldn't deserve it, and if it were any worse we couldn't hear it. I would like to believe the second, but I have a problem with the first.

Do those of us who voted against Ronald Reagan and had no chance to vote on Robert McFarlane, John Poindexter, Oliver North, Richard Secord, Albert Hakim, et al., deserve to have those people act as they did in our Government's name just because we lost the vote? I'll accept that the side with the lower vote loses, but I can't accept that the losing side deserves anything it gets as a consequence.

For that matter, do the winners of the last Presidential election deserve what they got? WALTER J. LIGON  
Freeport, L.I., Aug. 2, 1987

## National Security Role

To the Editor:

As a part of the National Security Council machinery in the Nixon and Ford Administrations, and as one exposed to it again in the Carter State Department, I would observe that Prof. David Kaiser (Op-Ed, July 20) makes a common mistake of drawing an incorrect conclusion from a correct observation. Academics and military men do have a poor track record as national security advisers, but the position and its relationship to the Secretary of State have never worked well, except when combined in one person. Even then, people said, "I wonder who's Kissinger now?"

Professor Kaiser called for less expertise, when more is needed, and recommended that the national security adviser be a "seasoned" politician, conscious of possible domestic political implications of any foreign policy. But that is the responsibility of the White House chief of staff.

The whole N.S.C. should be downgraded. Its primary role should be to point out policy options, and include all possible domestic political fallout. The N.S.C. should be in neither operations nor intelligence. Nor should it be a think tank, as Jimmy Carter seemed to think. The staff should be sharply reduced and made permanent and nonpolitical, to give more expertise and more institutional memory. It would thus function like the secretariat of a European government.

Finally, the national security adviser, who should be "seasoned" first in foreign policy, should, nevertheless, not be the President's vicar in foreign policy, or ever used as his spokesman. He should be more a referee than a player. He should not give instructions to our missions abroad, and if he is sent abroad on a mission, it should be because of his persona rather than his office. A. DANE BOWEN JR.  
Lock Haven, Pa., July 22, 1987

The writer, professor of history and economics at Lock Haven University, was national security adviser to Treasury Secretaries John B. Connally Jr. and George P. Shultz.

## Marines in Nicaragua

To the Editor:

James Reston in "The Brighter Side" (column, July 26), commends Secretary of State George P. Shultz for his testimony in the Iran-contra hearings, saying that Mr. Shultz "lanced the poison" and "somehow managed to restore a sense of truth and purpose to the proceedings." I agree.

Mr. Reston, in supporting Mr. Shultz, then quotes Walter Lippmann's observation of many years ago that the administrators of government bureaus are "the custodians of a nation's ideals, of the beliefs it cherishes, of its permanent hopes, of the faith which makes a nation out of a mere aggregation of individuals" — a splendid quotation in the Lippmann tradition. But Mr. Reston might have reminded Mr. Shultz of another Lippmann observation, about Nicaragua and its relationship to the United States.

In "Walter Lippmann and the American Century," Ronald Steel writes that in 1921 when Warren G. Harding became President, United States troops were suppressing a liberal uprising in Nicaragua. Charles Evans Hughes, Harding's Secretary of State, managed to pull the marines out of Nicaragua. Calvin Coolidge, on succeeding Harding, sent the marines back. This prompted Lippmann in a biting editorial to state that Nicaragua was "not an independent republic, that its government is the creature of the State Department, that management of its finances and foreign affairs are determined not in Nicaragua but in Wall Street."

"Nicaragua," he continued, "has been an 'American protectorate' since 1910, and as such a part of an 'American empire' as ever Egypt was of the British Empire."

Plus ça change, plus c'est la même chose. J. PHILIP SIPSER  
New York, July 28, 1987

## Handgun Laws and Freeway Shootings

To the Editor:

A police department psychologist points to "increased levels of violent crime," "self-centered attitudes," "violence in movies and television" and "family breakdown" to explain the recent rash of freeway shootings in California. Why is it that the easy availability of handguns and weak handgun laws are never cited?

The concern here is not with violence in general, but with shootings in particular. The cars we drive, which in the wrong hands are often deadly weapons themselves, must be registered, and we must carry licenses to operate them.

But how many handguns are subject to such restrictions? They can be purchased or stolen with great ease and pulled instantly from glove compartments or front seats to be fired with only one hand, while the other is kept on the wheel. What's ahead? Defensive motorists carrying guns? Running gun battles on our highways?

Forget the National Rifle Association's argument that tough gun laws won't affect criminals. We're faced with Mr. America here, whose only crime is that he can't control his temper and that his easily obtainable handgun is too close at hand. Let's have tough Federal legislation that makes it a felony to carry a loaded weapon. ANN G. MIZEL  
Mill Valley, Calif., July 28, 1987

## Pistol Packer's Saint

To the Editor:

While I appreciate deeply your noting ("Briefing," Washington Talk



page, July 21) my request to the Vatican that Gabriel Possenti be designated patron of handgunners, I would like, nonetheless, to correct two inaccuracies.

For one thing, Gabriel Possenti already is a saint. He was canonized in 1920 by Pope Benedict XV. Present at his canonization ceremony were 45 cardinals, 280 bishops and 61,000 visitors. My request is that he now be designated patron of handgunners, not that he "be designated a saint."

You also refer to Gabriel Possenti as a "priest." Because he died while still in theological studies, he was not a priest. JOHN M. SNYDER  
Bellevue, Wash., July 21, 1987

The writer is chief lobbyist and director of publications and public affairs of Citizens Committee for the Right to Keep and Bear Arms.

## Pipelines Are Long-Term Answer to Oil Security

To the Editor:

Tanker refueling and United States Navy convoys in the Persian Gulf may be necessary in the short term, but there is a better way: pipelining.

When Nazi U-boats attacked United States tankers on our East Coast in 1942, Washington responded smartly by building the "Big Inch" oil pipeline in record time.

When the gulf tanker was heated up in 1983, Saudi Arabia built Petrolina to deliver crude oil at Yanbu on the Red Sea. Iraq has hooked up a spur to Petrolina and has doubled its pipeline to the Mediterranean at Doryol, Turkey. Even Iran has had construction volunteers working on an export line to Assaluyeh and another to export gas to the Soviet Union. Only Kuwait and the United Arab Emirates lag.

According to Lloyd's Information and Interbank, 8 million tons of shipping have been lost in the gulf, and 34 million tons have been damaged, one-third as much as the merchant shipping sunk or damaged in World War II. Safe navigation in relatively shallow waters on a very long and hostile coastline will always be more difficult than protecting the pumping stations of a pipeline.

The Strait of Hormuz, which carried 65 percent of oil in world trade in 1973 and still carries some 25 percent today, must not remain the choke point of Western civilization.

Kuwait, Saudi Arabia and the United Arab Emirates must be urged to build a pipeline to deliver oil on Oman's Indian Ocean coast. In addition, a multinational guarantee can assure construction of a trans-Jordan

nian pipeline to Aqaba. The cost of pipelining is unlikely to exceed a penny or two a gallon of motor fuel.

Oceangoing oil tankers were introduced 100 years ago by the Swedish munitions maker Alfred Nobel, shipping products from Georgian Batum on the Black Sea to St. Petersburg (now Leningrad). Tankers can continue to serve humanity on the high seas, but the West should not bet its long-term future on the Strait of Hormuz run. JACQUES R. MARONI  
Dearborn, Mich., July 27, 1987

The writer is environmental research and energy planning director for the Ford Motor Company.

## Cowboy Confidential

To the Editor:

Your front-page story about the Dallas Cowboys National Football League team testing its players for AIDS (July 30) states that Tex Schramm, president of the Cowboys, said that "none of the Cowboys" players had tested positive, and emphasized that the tests were voluntary and confidential. So much for confidentiality! LOUIS A. NOLL  
East Hampton, L.I., July 30, 1987



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## What Reagan Did

**T**he Iran-contra hearings left the image of a President airily detached from all that had gone on. Committee members spoke of a "junta" inside the Government, of William Casey and John Poindexter and Oliver North carrying out a "coup." It was as if their activities had nothing to do with Ronald Reagan.

But Mr. Reagan was very much in charge. He made the basic decisions to contravene policies established by law and by his own commitments. He signed the orders for secret operations. If there was a junta, he was its enthusiastic leader.

The most shocking aspect of the whole story remains the decision to sell arms to Iran in the hope of getting American hostages out of Lebanon. President Reagan had called on the world not to arm terrorist nations, in particular Iran, and not to make deals for hostages. His warmest supporters condemn the arms sale.

It was not John Poindexter or Peter Pan who made the decision to sell the arms. It was the President. He made it against the passionate objections of his two senior Cabinet officers, the Secretaries of State and Defense. He put it in writing.

There were curious mental efforts to evade the import of those arms sales. The President said the arms were going to "moderates" in Iran, but of course they went to the Government. The President told his aides at one point that we should sell arms to Iran because it was losing the war with Iraq — but it was in fact winning.

Then there was the larger excuse that the United States should try to reestablish relations with a country as significant as Iran. That would have been sound policy. But by taking up the Israeli idea of selling arms to Mr. Reagan hopelessly corrupted it.

President Reagan was the man responsible, too, for the other secret policy at issue: sending arms to the Nicaraguan contras while legislation passed by Congress and signed by him forbade military aid.

Again, there is no doubt that he was in charge. After some attempts at evasion he said supplying the contras

## If there was a 'junta,' he was its leader.

was "my idea to begin with." He has continued to deny that he knew money for arms was being begged from the Saudis and other foreign powers, and from rich Americans. The denials are hollow, but in any event he would be responsible for the acts of subordinates carrying out what they correctly understood was his policy.

The theory that Mr. Reagan was victimized by a Casey-Poindexter-North junta fails on another ground. He appointed those men, and there is every reason to think he knew what they were and got what he wanted.

Mr. Casey was a conspirator from way back, a man of extreme right-wing views and little regard for legal constraints. He used his position as Director of Central Intelligence to push for aid to terrorist groups opposing leftist governments around the world. He cooked intelligence to fit his policy objectives. Can anyone doubt that the man who appointed him and relied on him so heavily liked what he did?

John Poindexter and Oliver North were professional liars, and proud of it. Washington has seen nothing to equal Admiral Poindexter's runcible memory, or Colonel North's grandiose glibness when caught out in falsehood. Can anyone think that their President was mortified at the performance? Can anyone doubt that they were carrying out his wishes when they practiced to deceive?

The purpose of all the deception was to concentrate power in the White House. If no one else knows what you are doing, no one can object; no one can interfere. Secrecy prevents accountability.

There again the Casey-Poindexter-North team was faithfully reflecting Mr. Reagan's view. This President, more than any in memory, regards Congress as an illegitimate body in matters of foreign policy. He has worked diligently to exclude Congress, surprise it, deny it a role.

To outline what the hearings showed is to see the real object of the conspiratorial activity. It was to evade the rules of the Constitution.

James Madison and his colleagues, 200 years ago, relied on two main devices to protect the freedom of Americans. One was the separation of powers among the branches of government, so no one could abuse power. The other was respect for law.

The Iran-contra affair was an attempt to frustrate both those safeguards. It was an attempt to give this country an executive beyond accountability to Congress in foreign policy, and beyond the law. Many members of the investigating committees saw that plainly enough. But they did not see, or did not name, the man responsible.

# How Irangate Differs From Watergate

By James David Barber

**DURHAM, N.C.** — Is Irangate Watergate revisited? As in Watergate, one little accidental revelation popped open a fantastic political can of worms, a pile of twisted deceptions, a tangle of operations running outside the constitutional fence. As in Watergate, what looked at first like a low-level imbroglia soon crawled up to the White House and eventually into the lap of the President himself. But there the similarity ends.

President Reagan is as guilty for his failure to "take care that the laws be faithfully executed" as Richard M. Nixon was, but their sins are very different. If there is a civics lesson here, it is that watching out for another Richard Nixon will not protect us from another Ronald Reagan.

Mr. Nixon's problem was conspiracy: the President's own tightly calculated secret operation to nail down his enemies and thus confirm his power. What he knew and when he knew it were relevant questions; it turned out he was deeply involved in the details. The cover-up story was similarly significant; information had to be wrenched out of the Administration bit by bit, against hard resistance. And at the core of the story was Mr. Nixon, yet another President driven into tragedy by his insatiable need to prove his manhood.

Viewing the Iran-contra affair through the Watergate lens doesn't work. This scandal illustrates a different but equally dangerous type of

such a meeting setting he had succeeded in laying this wacky adventure to rest — only to discover, later on and indirectly, that the President seemed to be "leaning" in the other direction. The President's viewpoint "was not really jelling." Mr. Shultz reported about one meeting. Mr. Weinberger, at another time, had to rely on his "impression" of the President's decision.

Indeed, the witnesses set forth not one example of Mr. Reagan coming forth with a definite decision. Instead, they appeared to confirm Mr. Shultz's view that "nothing ever gets settled in this town" — not even in the Oval Office.

To the public and to the world, the President came on loud and clear, sounding and looking decisive, as when he brought forth "Operation Staunch" as our national policy of no deals with terrorists. But in the privacy of the White House, if the top-level testimony is to be believed, it was hard for his major advisers to discern his thinking — for months at a time.

Mr. Reagan's curiosity was equally retarded. When his chief military, foreign policy and intelligence advisers pushed their battle into his presence, he sat still and listened. Controversy at the top of his Administration did not stimulate him to seek out the

facts. At one point, Secretary Weinberger asked the President, "Are you really interested in my opinion?"

Several times, the President confirmed that he had "no knowledge" of the sale of the arms for hostages or, later, of the diversion of funds to the contras, as if his ignorance should serve as an excuse. As Representative Lee Hamilton pointed out, "The President did not know what his own staff was doing" — and it was making major strategic moves.

As chief of staff Reagan said, regarding Mr. Reagan's secret authorizations, "A Presidential finding is not lightly made." But Mr. Reagan could not recall making the first one, and did not think to mention to his top officers, three times in a row, that he had signed such a finding either the day before or that same day. Despite his emotional concern for the "freedom fighters," he did not try to find out where they were getting their money. Moreover, he apparently got the balance of military power between Iran and Iraq backward.

By his own testimony, Lieut. Col. Oliver L. North, running a big slice of foreign and military policy under the N.S.C. umbrella, was in meetings with the President and just a few others some 22 times — but Mr. Reagan did not get to know what he knew at all.

## Nixon forced the issue.

Not even when he approved the dismissals of Colonel North and Rear Adm. John M. Poindexter did Mr. Reagan summon them to give him the facts.

And Mr. Reagan's close-up disciples followed his example: Mr. Shultz did not want to learn details from Admiral Poindexter, Mr. Weinberger was not informed that Saudi Arabia was supplying some \$25 million to the contras and neither he nor Mr. Shultz knew about the findings or the diversion of funds from the arms sales. The Attorney General was not in on the crucial legal questions. In short, the President served as a model for his top troopers, when it came to curiosity: Conflict at the top triggered withdrawal, not inquiry.

Except, of course, when the story leaked. Then the White House leapt into action to manage the President's public relations — from the beginning its primary concern. Confused as his briefing was, Mr. Reagan once again came on to the public as the strong leader.

In fact, the President was presiding over a daisy chain of command, in which the official at each level avoided responsible supervision of the next one down. It was a circus overseen by a disbanded Cabinet whose members, supposedly responsible for making the right results happen, were satisfied if they had made their verbal points in meetings. As always, Mr. Reagan got his strongest signals from those most often in the same room with him, who led him steadily into shredding political logic.

From the first, as the former budget director David A. Stockman noticed years ago and others even earlier, the danger of the Reagan Presidency has been drift and accident, even chaos, rather than Nixonian rigidity. Mr. Reagan's easy-going, affectionate personal style, and his readily directable theatrical style, set him up for dependence on the luck of the draw. Now, with his military forces sprawled about the world's most dangerous terrains and waterways, he has the rest of us set up for the risk of disaster.

## ESSAY William Safire

## Fighting To Win

**I**n the long Arab-Persian war in the gulf begun by Arab Iraq's aggression, the Persians have been fighting to win while the Arabs have been fighting to settle. If those strategies continue, the Persians in Teheran will triumph and the United States will have involved itself on the losing side.

For the Persians to win — that is, to depose Iraq's dictator and to achieve fundamentalist religious dominance throughout the Arab world — Iran must be certain to maintain the oil income that equips its armies and feeds its people.

That means, first, that Iran must transport its oil by tankers through the gulf with some guarantee that those cargoes will not be destroyed by Arab planes. Second, the victory strategy demands that the price of that Iranian oil be maintained at a level high enough to support Iran's military machine. Taken together, high-priced oil transported safely will buy Persians the guns and missiles needed to back up their will to win.

How are the Arabs and their American allies combating this strategy? Very curiously.

The U.S., after one of its warships was attacked by an Arab bomber, has rushed to protect Arab shipping in the gulf. We fail to grasp that the main threat to shipping comes from Iraq, which must reduce the outflow of Persian oil, and we disregard the first rule of gulf war: "Free navigation" benefits the Persians far more than the Arabs.

But in refueling Arab tankers and using our warships to protect them, we are also telling Iraq to stop attacking Iranian shipping. The high-minded U.S. strategy seems to be to bring a cease-fire to gulf waters, with each side's tankers proceeding unmolested.

That is exactly what the Persians want. That is why an Iranian mission has been dispatched to Kuwait to offer a deal: get Arab Iraq to stop its effective bombing of our tankers, say the Persians, and we will stop our ineffective efforts to interdict your shipping. The Iranians would thus get what they need — unmolested transport of their oil. The U.S. would have intervened on the side of the Arabs

## How the U.S. and the Arab world are helping Iran.

but, in the name of 'free navigation,' would be aiding the Persians.

Therefore, the result of the American intervention is likely to help the Persians win, which is not our stated goal. We have been suckered by the nervous Kuwaitis into a no-win strategy that undermines the Iraqis and protects the oil delivery of their common Iranian enemy.

What about the second pillar of Persian economic power? The price of oil is a key to the Ayatollah's victory plan. If the price of oil were to be halved, it would be as severe a blow as sinking half the tankers transporting Iranian oil.

The Saudis know this. A couple of years ago, to starve the Persians into submission, the Saudis agreed with their Arab brethren to raise production and thereby reduce world oil prices. That was Sheikh Yamani's finest hour in the price manipulation business: oil prices collapsed to under \$10 a barrel. The Saudis, who could "lift" oil at a cost of a half-dollar a barrel, lost little on the increased production; the Iraqis, who produce at six times that cost, lost two-thirds of their oil revenue.

That was when the Iranian oil minister paid a visit to Saudi Arabia's King Fahd in Riyadh. Reduce production to raise prices or else, was the message; Iran was prepared to stimulate an uprising of Shiite followers of the Ayatollah within Fahd's sparsely populated Kingdom. The nervous Saudis caved in; Sheikh Yamani was fired, production was cut and the price of oil has risen to over \$20 a barrel.

Here we are today. The Persians, to drive home to the Saudis the reality of their threat, have just infiltrated thousands of demonstrators armed with bombs into the most holy places of Islam, with instructions to martyr themselves in stampedes. The Saudis suppressed the demonstrators and more significantly, responded by demanding that errant Syria declare its solidarity with the Arabs.

But — and here is the central difference between Persian and Arab core attitudes in this war — the Saudis have not even threatened to raise production and cut the price of oil. They are still hoping to settle, not using their economic power to help Iraq fight to win. King Fahd has taken the riots on his soil as a Khomeini threat, requiring rhetorical anger and behind-the-scenes amelioration, and not as a provocation calling for real retaliation.

While the U.S. is in effect helping Iran move its oil safely, the Saudis are helping Iran keep its prices high. As a result, the Persians are able to buy nearly a billion dollars a year of arms from China to equip legions of would-be martyrs. Until Arabs decide to fight to win, the purposeful Persians will not be stopped.

## Reagan floated into the disaster.

Presidential fiasco we have to learn to guard against. Mr. Nixon compulsively manufactured his disaster; Mr. Reagan floated into his.

In November 1986, the news broke in Lebanon that America was trading arms for hostages, despite Mr. Reagan's hand-on-the-heart statements that no decent nation should do any such thing.

Donald T. Regan, the White House chief of staff, put out a cryptic in-house memo: "Blame must be put at N.S.C.'s door — rogue operation, going on without President's knowledge or sanction. When suspicions arose, he took charge, ordered investigation, had meeting of top advisers to get at facts and find out who knew what. Try to make the best of a sensational story... anticipate charges of 'out of control,' 'President doesn't know what's going on,' 'Who's in charge'."

Through the Congressional hearings, Mr. Reagan's top officials followed Mr. Regan's instructions, continually touting the President as Mr. Decisive. "One of his most outstanding attributes is decisiveness," we were told. But if one follows their narratives rather than their adjectives, a different Ronald Reagan appears.

Repeatedly, both George P. Shultz, the Secretary of State, and Caspar W. Weinberger, the Secretary of Defense, had argued to the President that selling arms to Iran was a bad idea, sometimes in meetings where the national security adviser and Director of Central Intelligence took the opposite tack. Who won? By the account of both secretaries, that was hard to answer.

On occasion, each came away from

James David Barber, professor of political science and policy studies at Duke University, is author of numerous books on the Presidency.

# Reagan's Worthy Nicaragua Peace Plan

By Dale Bumpers

**WASHINGTON** — The tentative agreement last week by presidents of five Central American countries for a cease-fire in Nicaragua adds momentum to President Reagan's efforts for a negotiated settlement of the armed conflict in the region.

President Reagan, who proposed his peace initiative last week, and the Central American leaders should now join together to help bring about a lasting end to the fighting. Mr. Reagan is expected to endorse their effort, and his willingness to join them will serve as a test of his commitment to a diplomatic solution to the turmoil.

Those of us who have steadfastly maintained that a military solution is not possible in Nicaragua now find ourselves confronted with a President that says he, too, wants a negotiated solution.

Some of us support Mr. Reagan's effort but are skeptical of what seems to be a 180-degree reversal of Administration policies. Mr. Reagan says he has always favored negotiations, but his incessant rhetorical drumbeat of the last six years indicates otherwise.

Even so, I can think of three practical reasons that might give a clue as to why President Reagan is suddenly proposing another peace plan.

First, Frank C. Carlucci and Howard H. Baker Jr., his national security adviser and chief of staff, respectively, are pragmatists who see Nicaragua as a quagmire that the

President should get out of.

Second, recent events in Central America have given the President pause. Surely President Reagan could not risk being left out of the talks by five Central American countries if, as appears to have happened, momentum started to build for the plan put forward by the Costa Rican President, Oscar Arias Sanchez. The United States' peace initiative incorporates the major points of the Arias plan, but it also has important differences.

Third, the contras, even with \$100 million in aid last year, have still not taken any ground and held it, nor have they gained popular support among the Nicaraguan people. On the contrary, contra atrocities have probably eroded any support they had. Under the circumstances, the Administration couldn't possibly be optimistic about a military solution.

Skeptics argue that President Reagan has not yet given up on a military solution but simply faces a bruising and possibly losing battle for more aid for the contras. The President has little to lose by agreeing to negotiate and believes that a settlement, acceptable to both the United States and Nicaragua, is remote. Thus, the skeptics say, when negotiations break down the President will accuse the Sandinistas of bad faith, and Congress would be hard pressed to deny a big increase in contra aid.

By showing his willingness to meet the Central American leaders halfway, Mr. Reagan could demonstrate that he is truly committed to a peaceful solution in Nicaragua, thereby satisfying skeptics who believe that his plan is just a ruse to win more military aid for the contras.

The Sandinistas, too, have plenty of reasons to negotiate an end to the war. First, Nicaragua's economy is unbelievably bad. The Soviet Union and Mexico have refused to give it free oil. Managua has virtually no earnings with which to buy goods, especially oil, and it can't run a military apparatus without oil.

Second, the Russians have shown a considerable reluctance to continue the kind of aid they've been providing, and Mikhail S. Gorbachev, having bigger problems to solve, would surely like to rid himself of this one. Add to this the economic package being offered in the peace plan, and it has to appeal to President Daniel Ortega Saavedra.

Third, Nicaragua has a \$10 billion debt that, under current economic conditions, is impossible for the Sandinistas to service.

Mr. Reagan's proposal is not yet refined and wouldn't be acceptable in its present form, but the White House acknowledges this. There must be give-and-take if it is to succeed.

Moreover, the Reagan Administration says it wants other Central American democracies, not only the Contadora countries — Colombia, Mexico, Venezuela and Panama — to play a major role in negotiating a package. It is a regional problem, and these nations understand it. They face the biggest threat from the Cuban- and Soviet-supported neighbor and know more about the relative military strengths of the countries involved.

The Administration agrees that there must be a monitoring process in which members of Congress have confidence. Secretary of State George P. Shultz has suggested that the Or-

ganization of American States might fill this role. I would not object to that, but I believe a bipartisan monitoring group from Congress (perhaps no more than eight members) also would be appropriate. Such a committee could help alleviate the concerns of those who still feel the White House is not to be trusted.

Skeptics also point out that the Sept. 30 deadline for completion of negotiations coincides with the expiration of United States aid to the contras. Extending the deadline by at least 30 to 60 days would be more realistic, because such a complicated arrangement couldn't possibly be completed by Sept. 30. Mr. Reagan should modify his plan to allow more time, as envisioned under the Arias plan.

I've always believed that good-faith negotiations work to our advantage. The Sandinistas' popularity has slowly waned, and the promises of the revolution are unfulfilled, but this has still not translated into support for the contras. Rightly or wrongly, the Sandinistas have been able to portray the contras as a reincarnation of Nicaragua's previous Government, and memories of that regime's brutality are still vivid.

In the absence of our support for the contras, and without a scapegoat to blame for the sad condition of the economy and the unspeakable poverty of the people, the Sandinistas will have no one to blame for their failures. In short, the Sandinistas' tenure is likely to be shorter without our military involvement than with it.

By taking the best aspects of his plan and the Guatemala proposal, President Reagan could offer a peace initiative that is well worth the risks. I





# The Lessons in Israel's Economic Recovery

How to tame inflation: Everybody takes a step backward — together.

By THOMAS L. FRIEDMAN

**JERUSALEM** Is it a miracle befitting the Holy Land? Some crazy Old Testament economics? Or nothing but blue smoke and mirrors, an illusion that will soon be exposed? Those are some of the questions being asked here about Israel's remarkable economic recovery, which since July 1985 has reduced the country's annual inflation rate to 20 percent, from about 450 percent — without the usual side effect of unemployment.

Foreign currency reserves have more than doubled, the shekel has been relatively stable against the dollar and the state budget — \$23.3 billion for fiscal 1986-87 — has been brought almost into balance, after

It took a while for politicians to dispense the medicine, said Mr. Bruno, but when the unpleasant dosage came, the public was ready to swallow it in one rather quiet gulp.

Now, in several recent man-on-the-street economic reports produced by Israel Television, workers echo the same refrain: While their standard of living, salaries and savings have not grown since July, 1985, they feel richer. After years of running to the bank every day to invest in dollar-linked savings schemes, or rushing to buy anything that was not nailed down to keep up with a 30 percent monthly inflation rate, they can once again relax and plan their lives.

"This stability is not just something theoretical," said Eli Hurvitz, managing director of Teva Pharmaceutical Industries, one of Israel's largest manufacturers. "During inflation, no one knew where he stood. Now people realize that they have money."

**Lesson No. 2:** To bring inflation to a dead halt overnight, you need a social contract between government and labor unions, industrialists and the self-employed — in which each party gives up something and receives something in return.

In the past, Israeli governments always tried to fight inflation by attacking either manufacturers' prices,

The major Israeli industrial companies are united in a single bargaining unit, the Manufacturers Association. And the two major political parties, Labor and Likud, have been ruling cooperatively in a coalition — so neither was eager to play populist and lead workers into the street in opposition.

This centralization, said senior Histadruth official Danny Rosolio, meant that "four men — the Prime Minister, the Minister of Finance, the head of the Histadruth and the head of the Manufacturers Association — could sit around a table and decide on a package that would have the very next day have a dramatic effect on the economy." He added: "To achieve the same result in most any other country would have required nondemocratic means."

**Lesson No. 4:** Even in a centralized economy, to coordinate all the elements of reform, you need a Prime Minister with his back to the wall.

When Foreign Minister Shimon Peres of the Labor Party took over as Prime Minister in 1984, his economic advisers handed him a plan almost identical to the one he ultimately implemented. But he was not ready then to risk the political fallout from such harsh measures.

Almost a year later, with the economy on the verge of collapse and his



Michael Bruno, governor of the Bank of Israel, left, and Moshe Nissim, Minister of Finance.

running a 12 to 15 percent deficit for the past 15 years.

Even though Israel's Finance Minister is named Moshe Nissim — in English, "Moshe Miracles" — there is nothing miraculous about Israel's economic recovery. The nation simply responded to some classic economic medicine — dispensed in a unique way to a unique economy.

But it would be premature to declare the Israeli economy healthy. Far from it. It has suffered from two ills, inflation and stagnant growth, for 14 years. "If Israel had been born in 1973, today it would be a dwarf," said Dan Gillerman, a major importer and president of the Federation of Israeli Chambers of Commerce.

At this stage, it is still not all clear that the Israeli government will undertake the additional spending cuts and austerity measures needed to keep inflation under control and bring about the growth that would wean the nation from its dependence on \$3 billion a year in American aid.

"The greatest danger now to the program is its early success," said Mr. Gillerman. "The people in charge of our economy are so mesmerized by what they have created that their infatuation may prevent them from taking the steps to make it a lasting success. The stability we are enjoying should not be an end in itself. It has to be a means to growth."

Growth or no growth, however, Israeli consumers are enjoying the new-found thrill of knowing that the price tag on an item today will probably be the same tomorrow.

For other countries caught in the grip of the Bolivian-style inflation witnessed here, there may be some lessons in the Israeli experience. Distilled into textbook form, they might look something like this:

**Lesson No. 1:** The average worker seems to crave economic stability more than any other commodity, including higher wages.

To put it in policy terms, if inflation gets bad enough for long enough, the public will accept almost any equitably applied austerity program, however Draconian the measures may seem.

In Israel, the psychic costs of trying to keep up with inflation had become so great that by the time the Labor-Likud national unity government took over in September 1984, "there was a feeling that the country was falling apart," said Michael Bruno, governor of the Bank of Israel and the leading theoretician behind the recovery program. "There was capital flight and even talk about the need for a 'strongman' to take charge. The public was screaming to be hit."

workers' wages, the Government's budget or the official exchange rate — but never all of them at once, Mr. Bruno said.

Such synchronization, however, is the key to the current program's success. On one day — July 1, 1985 — the Histadruth Labor Federation accepted a 25 percent wage cut, the Manufacturers Association accepted a freeze in prices, the Government agreed to cut its budget and the Bank of Israel said it would freeze the exchange rate at 1.5 shekels to the dollar to stabilize raw-material import prices. The bank also raised interest rates to a level that "the Mafia would not dare charge," said one businessman — more than 100 percent a year in real terms.

"This synchronization explains why there was no large-scale recession and unemployment," said Ephraim Kleiman, an economist at Hebrew University in Jerusalem. "Everyone just took one step backward — together."

**Lesson No. 3:** When trying, democratically, to put together such an all-encompassing package, it helps to have a centralized economy the size of Chicago's, with one major trade union and a national-unity government.

Unlike a country such as Great Britain, the Israeli Government has only one labor union to deal with. That union, the Histadruth, led by Yisrael Kessar, represents 90 percent of Israeli workers and owns 25 percent of the nation's industry. This makes it quite sensitive to a management perspective.

political future on the line, Mr. Peres vigorously implemented the program, demonstrating unusual political courage, at least for an Israeli politician, by selling it to the public, the unions and manufacturers.

He showed remarkable skill at forging compromises where none seemed possible, at a time when most of his fellow ministers were too frightened of public reaction to speak one word in support of the program.

At one point, Mr. Peres kept his ministers locked in a room for almost 20 hours until a consensus was reached on the package, particularly with regard to cutting the military budget.

"Without Peres, the reform never would have happened," said a senior economic adviser, pointing out that Yitzhak Shamir, who replaced Mr. Peres as Prime Minister in October 1986, only reluctantly voted for the plan and finance minister Nissim voted against it.

**Lesson No. 5:** It helps to be lucky and to have a rich Uncle Sam.

Because of low crude oil and commodity prices, as well as falling interest rates worldwide, Israel saved roughly \$1.5 billion in foreign-currency expenditures during each of the past two years. What's more, in 1985 and 1986, the United States gave Israel an extra \$750 million a year — on top of the "normal" \$3 billion yearly in military and economic aid.

"The extra American aid was crucial in convincing politicians to take the risks inherent in the economic reform plan without the fear of running out of foreign currency," Mr. Bruno said. "I was recently talking to some

Argentinian economists who remarked that if they had had \$1.5 billion in American aid they might have adopted our plan as well."

The final stroke of luck involved the shekel. The currency is linked to the dollar and during the period of reform the dollar was falling against European currencies.

As a result, Israel was able virtually to freeze its official dollar-shekel exchange rate — thus providing the public with the appearance of a stable currency — while effectively devaluing the shekel against the currencies of European nations with which Israel does two-thirds of its trade. That helped Israel's exports remain competitive.

Perhaps the biggest lesson of the past two years, however, is one the Israelis are still learning: That all that has been accomplished so far is just the easy part.

"I think it is more difficult to reduce your inflation from 20 percent to 15 percent than it is from 400 percent to 20 percent," Mr. Nissim said.

But that is what the Israeli Government must do. A 20 percent annual rate of inflation is not sustainable, Mr. Nissim said, when Israel's major trading partners have rates around 5 percent. If Israel's inflation is not brought into line, sooner or later the shekel will have to be devalued to stay in line with the dollar. Then, raw material costs will rise, prices will rise, wages will rise, "and in two years we will be right back to 450 percent," he said.

The Government, Mr. Nissim said, must hold the line on wage settlements and its spending for an indefinite period, while gradually lifting price freezes. It must also expand the limited tax reforms and capital market liberalizations that Mr. Nissim has introduced in recent months, so that investment and saving become more attractive.

Just the simple fact that Israelis are not wasting so many man-hours running back and forth to the banks helps to account for the fact that the gross domestic product for the industrial sector increased 3.7 percent in 1986, up from 2.9 percent the previous year. But more incentives are needed to spur real growth.

In the meantime, Mr. Nissim, backed by Likud Prime Minister Shamir, has proven to be a formidable guardian of the state treasury. He faced down an emotional strike by nurses without giving in and is now trying to kill development of the Israeli-designed Lavi fighter plane — a move that would save the state budget several hundred million dollars a year. Mr. Nissim says that he now tells everyone who comes to him for extra funds the same thing: "I have no money."

The Israeli public and Mr. Nissim's fellow ministers seem to be of two minds about this stinginess. On the one hand, the sense of urgency for further budget cuts seems to be vanishing, and one hears renewed demands to build the Lavi at any cost, and to rescue financially ailing collective farms and industries.

On the other hand, a recent poll by the Yediot Achronot newspaper found that Mr. Nissim had the highest approval rating of any cabinet member — unheard of for a finance minister.

"People want to heal the economy," Mr. Nissim explained. "The party which will prove to the nation that it has no intention of flattering them will win the next election."

Indeed, the impact on the political scene is one of the most interesting features of Israel's economic turnaround.

Israelis have become so attached to the stability of the past two years that they want the Labor-Likud government to continue until the next scheduled elections in November 1988. They know that the tough, unpopular decisions to hold down the budget can come about only when both major parties work together.

But Mr. Peres, who instituted the economic reform, wants to break up the Government because of Mr. Shamir's refusal to attend an international Middle East peace conference. Mr. Peres's cruel dilemma is this: If he does break up the Government, voters will punish him at the polls. If he does not, the public may forget his central role in bringing down inflation.

Mr. Shamir, who only grudgingly supported the bold economic measures and whose Likud Party was largely responsible for the economic chaos of the past decade, only has to keep the stabilization program on track to ride into the 1988 elections as the engineer of a reasonably healthy economy — something for which he is sure to be handsomely rewarded by the Israeli electorate.

## The Economy

WEEK IN BUSINESS

### Merger Mania Hits Jersey Banks

New Jersey is a hot item, at least in the banking industry. The economy of the much-maligned state has fared better than most, and its companies have become increasingly attractive. In the past week, three major Jersey banking companies have agreed to mergers — First Fidelity of Newark is to merge with Fidelity of Philadelphia in a \$1.3 billion deal, Carteret Savings will be purchased for \$320 million by Home Group, a New York insurance company, and NatWest USA, the American unit of the British company National Westminster, agreed to buy First Jersey National, the No. 4 banking company in the state, for \$820 million. The deals are being made possible by a regional banking agreement that allows mergers in the Northeastern states. And while the biggest banks, such as Citicorp, might have been expected to be the first to buy hot properties, they have been tied up with earnings problems from their Latin loans, leaving the door open for the smaller banks.



Tom Bloom

Thursday. Bond prices have been on the upswing, too.

Kidder, Peabody has asked Richard B. Wigton to return to the firm pending the resolution of insider trading charges against him. Mr. Wigton, who headed Kidder, Peabody's arbitrage department, was suspended when he was indicted in the scandal. But he has said he is innocent, and his suspension caused consternation at Kidder and other Wall Street firms.

T. Boone Pickens is looking at Singer now. The Texas oilman said he intended to buy up to 15 percent of the company, whose major operations now are in aerospace. It's clear that Mr. Pickens wants to get into the military contracting business, since just a week previously he had expressed interest in Boeing.

The F.C.C. proposed ending the limits it has placed on A.T.&T.'s profits, a move hailed by the other competitors in the long-distance market. But the lifting of the regulations would probably mean higher long-distance costs for consumers.

Manpower Inc. was offered \$1.24 billion to merge with Blue Arrow, Britain's No. 1 employment agency. But bidders in the United States quickly ran the price of Manpower's stock above the \$75-a-share bid.

Miscellaneous. The Senate confirmed Alan Greenspan as Fed chairman and David S. Ruder as S.E.C. chairman. The United States and Japan reached agreement under which Japan will buy more American supercomputers in an attempt to help ease trade tensions. Primmerica is selling off its direct mail and marketing operations in its long-range plan to concentrate on financial services. Standard Chartered, the big British bank, is pulling out of South Africa, the biggest divestment to date. The United States and the European Community reached a tentative agreement to end the six-year "pasta wars." Holly Sugar canceled its management buyout after the chairman, Michael Buchsbaum, received death threats.

#### The New York Stock Exchange

##### MOST ACTIVE STOCKS WEEK ENDED AUGUST 7, 1987 (Consolidated)

Company	Sales	Last	Net Chng
Echb	3,652,000	25%	+1
Wicks	2,897,800	4%	-1
TexAir	2,770,200	36%	+ 1/2
WangB	2,526,900	17%	+1
Amidh	2,350,700	41	+4%
Kidd	2,287,800	28%	+1%
BlockE	1,691,200	6%	- 1/2
Atari	1,378,400	12%	- 1/2
WDigil	1,250,600	25%	+2%
GDR	1,123,500	19%	-

##### Standard & Poor's

400 Indust	379.8	368.4	376.2	+4.85
20 Transp	287.5	281.0	286.1	+5.55
40 Util	114.9	111.1	114.6	+2.51
40 Financial	30.3	29.3	30.2	+0.44
500 Stocks	324.1	314.5	323.0	+4.34

##### The American Stock Exchange

##### MOST ACTIVE STOCKS WEEK ENDED AUGUST 7, 1987 (Consolidated)

Company	Sales	Last	Net Chng
A E Pw	33,476,200	28%	+ 1/4
Hou Ind	25,670,300	32%	- 1/4
AT&T	16,960,200	33%	+ 1/4
IBM	10,633,300	164%	+ 4 1/2
Hansn	10,262,400	14%	- 1/2
U Carb	8,271,700	28%	+ 3/4
Variety	7,870,700	3	+ 1/4
Gen El	7,751,900	60%	+ 1 1/2
Mid S Ut	6,265,100	9%	- 1/2
Mobil	6,245,800	52%	+ 1/2
G Mot	6,227,100	86%	- 3/4

##### MARKET DIARY

	Last Week	Prev. Week
Advances	439	466
Declines	424	364
Unchanged	153	178
Total Issues	1,016	1,008
New Highs	116	100
New Lows	54	49

##### VOLUME

	Last Week	Year To Date
(4 P.M. New York Close)		
Total Sales	72,686,275	2,112,462,580
Same Per. 1986	53,032,645	1,935,860,154

##### MARKET INDEX

	High	Low	Last	Net Change
Composite	361.40	357.50	361.06	+3.03

##### WEEK'S MARKET AVERAGES

	High	Low	Last	Net Change
Composite	361.40	357.50	361.06	+3.03

##### New York Stock Exchange

Indust	223.4	217.8	222.8	+2.44
Transp	163.1	159.6	162.5	+0.62
Util	76.5	74.2	76.5	+1.61
Finance	156.0	151.9	155.9	+2.16
Composite	181.2	176.6	180.8	+2.29



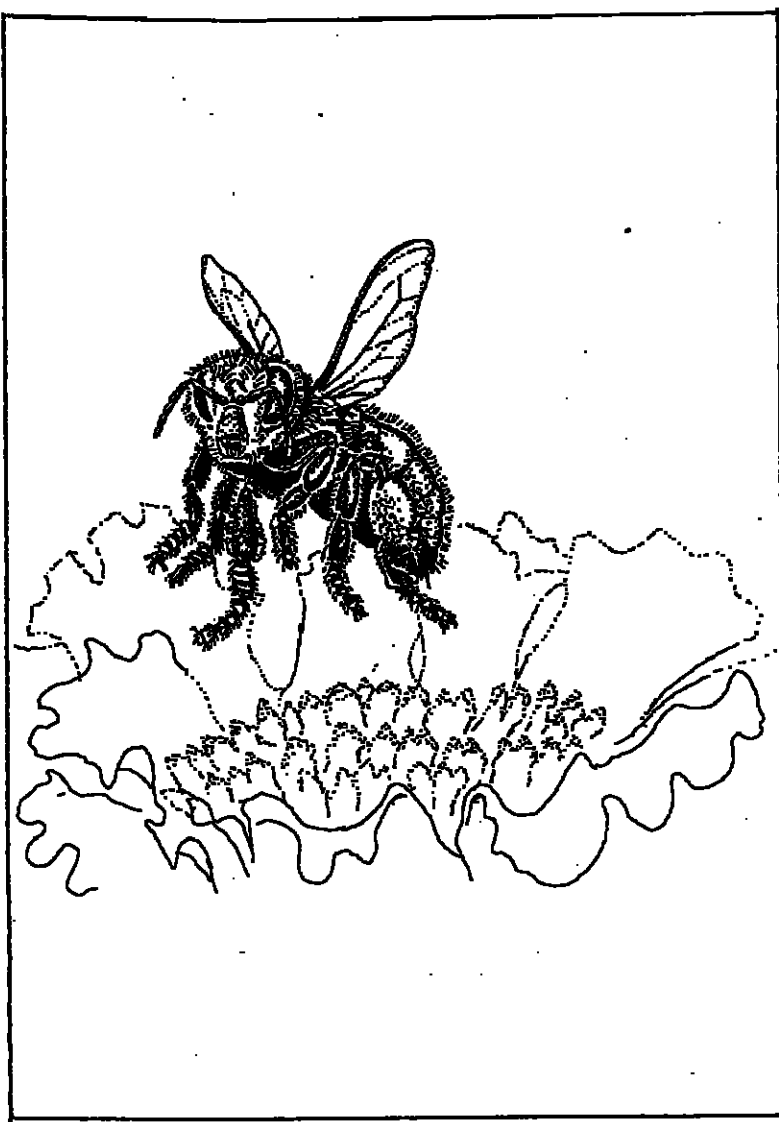
Yisrael Kessar, second from right, confers with factory workers. Mr. Kessar leads the Histadruth, the trade union that represents 90 percent of Israeli employees.



# The life and loves of the bee

Gardener's Corner  
Walter Frankl

For so work the honeybees, creatures that by a rule in nature teach  
The art of order to a peopled kingdom. (Shakespeare's Henry V, I, 1)



Bees are the primary insect pollinators of most fruits and many vegetables.

THE INSECT GROUP is by far the largest group of animals in the world. Over 600,000 species have been identified so far. Insects are found everywhere, even in the Antarctic, and have been on this earth some 200 million years.

Of the numerous insects in the garden, two are especially interesting and repay study by the amateur gardener. These are bees and ants.

Many persons are unduly disturbed by ants in the garden. Unless present in very large numbers, they do little damage. In many European States—Germany, for instance—ants are a protected species destroying many pests in the forests and it is illegal to destroy their nests or collect their pupae for bird or fish food. In some areas, German foresters collect ants and pupae and place them over old tree stumps to found new ant colonies. Ants also create a sulphuric, aromatic ether which is used to produce artificial rum and liqueurs.

As for bees, everybody knows that without them we would have no apples, cherries or grapes, etc. — no oranges or citrus fruit and fewer vegetables. For these, and many other edible plants, depend on bees to pollinate their flowers. And there would be no honey, of course.

This week, we shall discuss the wonderful life of the honey bee, which collects the sweet juices of flowers and stores them in the form of honey within magical hexagonal cells. The bee community is more a kingdom, it is an absolute monarchy, with a queen ruling a population of up to 50,000 or more female slaves possessing crafts and propensities which over millions of years have developed into routine instincts.

The honey bee lives in a community or township known as the hive. In ancient times bees found accommodation in hollow tree trunks or similar hide-outs. After man discovered the worth of their products, he provided them with large clay vessels or baskets woven from papyrus or willow branches. Much later the transportable bee hives were introduced into the whole civilized world and are still used in our day.

In any gathering of creatures of the same breed, various kinds of work have to be done, and all must learn to live in harmony for the common good. The ability to live successfully in this way shows that bees are highly intelligent. Many insects die in winter, while honey-

bees live through the cold season in their protected hive. They have learned the secret of keeping warm inside the hive, and during the summer they store food to consume in the winter.

AS SPRING advances and the weather becomes warmer, the hive wakes up for another year's activity. By winter's end, there are two kinds of bees in the hive: a queen, the mother of all the submissive subjects which originated from her eggs, and "worker" bees, which are really female bees unable to lay eggs. The latter clean up the hive and repair existing cells or build new ones in which eggs may be laid and honey stored.

These are by no means all the activities of the worker bees. We have already mentioned the "living ventilators." In addition there is guard duty at the entrance to the hive. Occasionally, wild wasps, a field-mouse or a bird may try to steal some honey, but none of the would-be intruders are allowed to pass. The mouse may be stung to death and the others may also be killed or driven to a hasty retreat.

In spring, the queen begins laying eggs. Even the best hen cannot compete in fertility with the queen bee, which can lay as many as 3,000 eggs in a single day. An egg develops into a grub within three days. This grub or larva, similar to a tiny caterpillar, is fed for three days on special food which has been partly digested by the worker nurses. After a short time, the larva will turn into a pupa and become dormant. Within three weeks from the time of laying, a worker bee, complete and ready to start work, emerges from the pupa.

Some eggs remain unfertilized. Their number, in a fully-populated bee hive, does not go above 500 — 1,500. From these eggs originate the male bees, called drones.

When a worker bee is hatched, it is given work to do and it seems almost as though they are promoted from one job to another. Beginning as nursemaids, they learn to clean and ventilate, and finally, after several practice test flights, they go out into the world to collect the valuable nectar from flowers. The drones, however, are more or less parasites in the hive. They consume quite a lot of the stored food, they perform none of the tasks. Their only function is to become strong enough for

their one role: to follow the young virgin queen high into the air on the honeymoon flight. Only the strongest and fastest of the males will be fortunate enough to reach the flying queen and fertilize her.

The life of the worker bee is short — only one or two months. During the summer, more than 2,000 are born every day in the hive to take the place of those that perish. The replacement rate, however, outstrips the death rate and the hive starts becoming overcrowded. What can be done? Another queen must be born and a new community must be created.

There is usually space for more than one cell at the end of the frame and the workers produce somewhat larger, cylindrical cells at this end, each about two-and-a-half centimetres long, into which eggs are laid. The grubs hatching from the larger cells are fed with special (royal) food, and in as short a time as 16 days, new queens may be born.

But the rule is: One queen per hive. An absolute monarchy. There are several "royal cells," and many queens may hatch, but the first one — instinctively — turns into a murderer. A drama takes place in the hive, comparable with the struggle between Elizabeth I, the virgin queen, and Mary Stuart. In her very first movements, the newly-born queen kills all her potential rivals and then, assured of her kingdom, she goes out on her honeymoon flight skywards, pursued by the drones.

THE MINUTE quantity of the male sperm is nonetheless sufficient to fertilize tens of thousands of eggs during the lifetime of the queen. The "just married" queen returns to her hive, and immediately goes from cell to cell laying her eggs. The drones, however, are refused re-entry by the female guards and sooner or later they perish outside the hive from hunger, cold or as prey for birds and ants.

We mentioned the rule of one queen per hive. So what happens to the elder queen in the community? She has to leave. This rule is absolute. The elder queen, together with about 10,000 followers and some drones, leaves the hive to find new accommodation elsewhere.

Bees possess long tubular tongues which they thrust deep into the flowers to drink the sweet nectar. The nectar passes into the crop or honey-each and is partly digested. In reaching the hive, the bees deposit the digested nectar in a cell and when the water evaporates it becomes honey.

Afterwards the cell is closed with a thin layer of wax. The workers manufacture wax within their bodies, and it is pushed out as thin sheets between the armour plates of the abdomen. On its hind legs, the bee has a special instrument with which it can remove the wax, mould it and fashion it into the marvellous six-sided cells.

In our next column we shall describe the community of the ants.

# He chose to do good

Robert Chesshyre/London

BUDAPEST IN the last dark, flickering days of World War II was a human abattoir. From without, the Russians bombarded the city; within there was chaos. A puppet fascist government was in what could only loosely be called "power." The occupying Germans, working to the meticulous plans of Adolf Eichmann, continued to deport Jews. Hungarian Nazis, many of whom were teenage thugs, murdered at random.

At the heart of this perdition, one man, the Swedish diplomat Raoul Wallenberg saved the lives of 100,000 Jews, and thousands of ordinary Hungarians performed small acts that lessened the horror.

Josef Borszoki was a 24-year-old police lieutenant, a handsome, dark-haired, bright-eyed man who dashed around the ruins of his city — "it was like a wasp's nest" — on a small motor-bike. One individual was of little account, but Borszoki stuck to the business of doing what was right.

He arranged for food to be taken into the ghetto; he delivered a Wallenberg "passport" to an elderly Jewish woman who was about to be deported to Auschwitz, riding away from her captors as she clung perilously to the back of his bike and he organized forged papers which stated that another Jew was a "Catholic."

"If people — not just Jews — needed help, it was my personal, rather than my police, duty to give it," said Borszoki last week. Had those small acts of charity been the extent of his commitment to the beleaguered Jews, no more would have been heard of a man who has been a frail, lonely and disillusioned refugee in Britain for 30 years.

But, in the final hours before the Russians entered Budapest, Borszoki carried out one act of courage that may have saved the lives of 300 Jews. Last week he was interviewed by a British representative of Yad Vashem. He is being considered for the ultimate honour the State of Israel can confer on a gentile — a place as one of "The Righteous among the Nations."

On December 29, 1944, Borszoki was shot through the mouth by a stray bullet while disputing the orders of an SS *Sturmabfuhrer*. Back at the city police headquarters, he found his colleagues too drunk to administer adequate first aid.

A friend suggested he should attend an underground Jewish hospital beneath what had been a fashionable china shop on Grof Zichy Street. After he had been treated, he asked what he owed. Nothing, replied the doctor, except possibly your future help. Two weeks later, a boy came running to his police station.

Hungarian fascists — "Nyilas" — members of the Arrow Cross party were at the hospital rounding up patients. Borszoki, his batman and two police officers, armed with machine guns, rushed to the hospital and surprised the fascists, managing to arrest them and hand them over to the Hungarian army special branch.

When the policemen returned to the hospital, a second group of fascists lay in wait, and this time it was Borszoki and his men who were surprised. They were raked by automatic fire from a doorway opposite the china shop. One of the policemen died instantly, and Borszoki was dragged by his batman to the cellar below. His right elbow was shattered, and blood was pumping like a fountain from a carotid artery in his neck.

Now it was the turn of the Jewish doctors to save him, which they did twice — once on the operating table, while, in the absence of anaesthetics, a man played a violin; and once, a few hours later, when the Russians arrived searching for convenient "collaborators" to shoot.

BY 1946, liberated Hungary was succumbing to a new terror — that of the Communists. It was prudent, if one had worn any kind of uniform during the war years and wished to avoid being "purged," to acquire an unimpeachable testimonial. So Borszoki returned to the doctors.

On a foolscap sheet in a sloping

hand, the bald narrative of Borszoki's bravery was set forth. He had, declared two doctors and one patient, "repeatedly appeared at the auxiliary hospital...and from there by his great courage was the means of bringing about the escape of the 31 Jewish doctors and their families and also of about 250 Jews... saved by his brave intervention."

Life was hard for this disabled ex-policeman, but no one questioned his patriotism. Slowly, like restoring shattered porcelain, he put his life together; first, after several bleak years, a job — as a supervisor in a drilling company — then a wife and finally a baby daughter, Adrienne.

By 1956, he was re-established and happy. But when the Russian tanks once again rolled across his homeland, extinguishing the revolution, his wife decided to flee the country, serving him an ultimatum. Reluctantly, through the snow on 15 January 1957 — the 12th anniversary of his defence of the hospital — he walked across the Austrian border.

He hoped they might be intercepted and sent back, and his heart lifted when the family stumbled upon two Hungarian border guards. Ironically, one proved to be the son of one of his father's friends, and he helped them make a final dash through a hole in the barbed wire.

BORSZOKI'S LIFE was once again in tatters. After miserable sojourns in Austrian and later British refugee camps and jobs such as gutting chickens and cooking wine, he worked for a quarter of a century as a watchman at a Worthing factory. His wife left him, and he measured out his days until early retirement as a semi-recluse in a cheap bed-sit.

The baby daughter he had carried across the border in his arms was brought up scarcely knowing her father. She fled her unhappy childhood into her own early and disastrous marriage, and for many years lived in Ibiza. Two years ago she returned, almost destitute, knowing only one human being she might turn to — her father.

There began a painstaking construction of their relationship. For the first time Adrienne discovered why her father's right arm swung almost uselessly from a damaged elbow, and why an artery in his neck throbbed as loudly as a cat's purr. She was riveted by his story, and despite her father's protestations — "I do not want a crown" — set about making amends for all the lost years by seeking recognition for his courage.

After several rebuffs, she was put in touch with both the *Jewish Chronicle* and the playwright Bernard Kops. Kops fell upon the story — "these days are so dark, and God knows there are so few acts of heroism. When you hear of something, you just grab it" — and the *Jewish Chronicle* sent a reporter to Budapest.

In Budapest, the reporter found the anaesthetist/violinist, who confirmed Borszoki's story, and then died before the article was published. A friend of Kops came forward with an offer of \$100-a-week pension. This man's family had been obliterated by the Nazis in Vienna. He reasoned that, had there been a Borszoki with a machine-gun to defend them, they might have lived.

I met Josef Borszoki at his daughter's home on a grim south London housing estate. On the walls nearby were painted the dreary legends "NF — blacks out" and "Pakis go home." The forces that unleashed Hungarian fascism 42 years ago are never far from the surface.

I spoke later to a survivor of the Holocaust. He said: "Fascism has really declined in this country, and one could say it is of no significance. But as long as it is there, every time you cut off its head, it will keep growing, and under certain conditions will flourish again." The trials of Eichmann and Barbie remind us of the evil that men can do; the memory of Wallenberg the good. The millions in between have to choose which road to take. Josef Borszoki, in peril of his life, chose the good.

(Observer News Service)

## Haberfeld backs down

# Sviri to get second term as IFA boss

There were audible sighs of relief in the Hapoel sports camp last night when an unpleasant confrontation was averted at the last minute between the incumbent Israel Football Association chairman Shaul Sviri and his predecessor, and would-be successor, Haim Haberfeld.

Haberfeld yesterday let it be known that he was finally withdrawing his earlier announcement that he intended challenging Sviri for the post.

Haberfeld, a leading Histadrut official, had been the IFA chairman until his trade union duties compelled him to step down two years ago and he was succeeded by Sviri. Over the last month he had made it plain that he wanted his old job. Sviri and

others in the Hapoel organization took immediate umbrage. (Hapoel has a dominant voice in determining the top posts in the Association).

After weeks of uncertainty and considerable tension between the two men it was all smiles last night when Haberfeld indicated that he had acceded to the request of Histadrut secretary-general Yisrael Kessar and would not seek to add an extra burden to his time by taking on the football job again.

The Hapoel secretariat thus determined that Sviri would be their candidate for a second two-year term. And, since the organization has a majority in the relevant IFA forums, he is sure to be re-elected unopposed later this month.

# John lifts Yankees back into top place

DETROIT (AP) — Tommy John and the New York Yankees both had a change of fortune against the Detroit Tigers in Saturday's American League baseball action.

The 44-year-old John pitched a two-hitter as the Yankees reclaimed first place in the AL East with a 7-0 victory over the Tigers.

"This was a good game for us. The Tigers were hot and Tiger Stadium has never been a particularly good place for me," said John, who is 9-16 in his long career against the Tigers.

Dan Pasqua hit a two-run homer and Rick Cerone, Gary Ward and Don Mattingly hit solo shots for the Yankees.

John, 11-4 walked one and struck out three en route to his 46th career shutout and seventh lifetime two-hitter.

In the National League, Atlee Hammaker pitched a four-hitter and hot-hitting Will Clark drove in two runs as the Giants beat the Reds 5-2. "With a four-run lead and knowing what kind of bullpen we have, I was able to stay aggressive. It made things a lot easier for me," said Hammaker, who pitched his second complete game of the season.

Clark hit a sacrifice fly to wrap up the scoring in a four-run first inning and added his 23rd homer in the sixth off Tom Browning, 5-9. Clark has eight homers and 22 RBIs in his last 18 games.

## AMERICAN LEAGUE EAST

	W	L	Pct.	GB
New York	66	45	.595	—
Toronto	65	46	.587	1 1/2
Detroit	62	49	.559	2
Milwaukee	57	52	.523	8
Boston	52	57	.477	13
Baltimore	49	60	.445	16 1/2
Cleveland	41	69	.373	24 1/2

## WEST DIVISION

	W	L	Pct.	GB
Minnesota	60	52	.536	—
California	56	54	.509	3
Seattle	56	55	.505	3 1/2
San Diego	55	56	.496	4
Kansas City	53	58	.478	5 1/2
Texas	52	58	.471	6
Chicago	44	64	.407	14

Saturday's Games: Boston 7, Kansas City 3; Cleveland 5, Toronto 1; New York 7, Detroit 6; Milwaukee 6, Chicago 3, 1st game; Chicago 8, Milwaukee 6, 2nd game; Texas 11, Baltimore 5; Minnesota 9, Oakland 2; Seattle 3, California 3.

## NATIONAL LEAGUE EAST

	W	L	Pct.	GB
St. Louis	67	42	.615	—
New York	63	47	.573	4 1/2
Montreal	61	48	.560	6
Chicago	57	52	.520	11 1/2
Philadelphia	54	55	.495	13
Pittsburgh	49	61	.445	18 1/2

## WEST DIVISION

	W	L	Pct.	GB
San Francisco	58	55	.509	—
Los Angeles	55	55	.500	3
Houston	54	55	.495	3 1/2
Atlanta	49	60	.450	8 1/2
San Diego	48	61	.440	9 1/2
San Diego	45	67	.401	15

Saturday's Games: Atlanta 9, Los Angeles 7; San Francisco 5, Cincinnati 2; Chicago 5, New York 3; St. Louis 9, Philadelphia 5; Pittsburgh 5, Montreal 2; San Diego 4, Houston 3, 10 innings.

# Lendl struggles, Mac coasts

STRATTON MOUNTAIN, Vermont (AP) — Ivan Lendl struggled past 17-year-old Andre Agassi 6-2, 5-7, 6-3, while John McEnroe overcame his own "stinky" serve to beat Christo van Rensburg 6-4, 6-2 to set-up a much-anticipated final at the Volvo international tennis tournament here.

The resumption of their unfriendly rivalry late last night was their first Grand Prix meeting since Lendl replaced McEnroe as the world's top player by beating him in the U.S. Open final two years ago.

McEnroe, trying to win his first tournament since October and regain the form that made him No. 1 in the world from 1981-85, was seldom troubled by Van Rensburg even though the feisty American put only 46 per cent of his first serves into play.

Spain's Emilio Sanchez won the Austrian Open in Kitzbuehel, defeating fifth-seeded Mats Wilander 6-4, 6-3, 6-4, 6-1, 4-6, 6-1.

In San Diego, Anne Miller of Australia rallied to defeat top-seeded and first round by Agassi's sixth-seeded Peter Svensson in the first round of the qualifying event for the \$25,000 ATP Challenger Series tournament in New Haven, Connecticut. Svensson is 33rd on the ATP computer, 150 matches higher than the loser.

Ravi Widenfeld was not accepted for the qualifier because of his much lower world ranking than McEnroe. Svensson is the No. 1 seed in the main singles draw at New Haven.

## Amos teams up with Bill Scanlon

By JACK LEON  
TEL AVIV. — Amos Mansdorf's new doubles partner is 30-year-old American star Bill Scanlon, who has been a major attraction on the pro tennis tour for more than a decade. The two are making their debut together on the Nabisco Grand Prix North American tour, which this week moves to Montreal for the \$370,000 Canadian Open.

Mansdorf, Israel's controversial No. 1, and Scanlon decided to team up when they met at Wimbledon. Amos formed a successful partnership there with Gilad Bloom, but the latter is missing the North American circuit and instead spending this month competing in smaller U.S. tournaments.

Amos' two singles victories last week at Stratton Mountain were worth 15 ATP computer points, which should lift him just above the 30 mark in the world singles rankings. This is because at the corresponding tournament a year ago, Mansdorf lost in the first round to Ivan Lendl and so collected only one point. His highest world ranking to date was 28 last March.

Meanwhile, Boris Becker was yesterday edged out by the first round by Scanlon's sixth-seeded Peter Svensson in the first round of the qualifying event for the \$25,000 ATP Challenger Series tournament in New Haven, Connecticut. Svensson is 33rd on the ATP computer, 150 matches higher than the loser.

Ravi Widenfeld was not accepted for the qualifier because of his much lower world ranking than McEnroe. Svensson is the No. 1 seed in the main singles draw at New Haven.

## PGA favourites wilt in heat

PALM BEACH GARDENS (AFP) — The favourites wilted in sweltering heat and allowed D.A. Weir and Mark McCumber to tie for the lead, on 212, after three rounds of the 69th PGA championship here.

Weir, 34, playing with a chronically sore left wrist, did not miss a fairway and did not make a bogey en route to a 5-under-par 67 that tied the course record on the PGA National Golf Club course.

McCumber gained his share of the lead with a 68.

## Nelson wrests win from crestfallen Nigel

BUDAPEST (AFP) — Brazilian Nelson Piquet in a Williams Honda pulled off his second successive Formula One Grand Prix win when he took the Hungarian Grand Prix here yesterday. Like at Hockenheim two weeks ago, it was victory by default.

The 34-year-old Piquet won in Germany when Alain Prost, who had a 37 second lead over him, pulled off the track after the engine of his McLaren gave up only five laps from the end.

Yesterday it was Piquet's team

## SCOREBOARD

ATHLETICS — Nigeria's world-class sprinter Chidi Imah matched the 100 metres gold at the All Africa games 24 hours after running a wind-aided 5.92 second in the 100m final. Imah and 400m King Innocent Egbunike brought Nigeria's gold medal haul to four. Imah, whose time in the semi-finals was the fastest this year but heaved as a new world record because of the blustery wind, won the final in 10.19 seconds.

SOCCER — French league: Toulouse 1, Martig 0; Paris Saint-Germain 0, Brest 0; Nantes 1, Racing Club Paris 1; Nice 2, Saint Etienne 3; Metz 2, Lens 1; Auxerre 2, Lille 1; Marseille 1, Toulon 1; Lens 1, Reims 0; Le Havre 2, Cannes 2; Montpellier 2, Monaco 1.

HANDBALL — Korea beat Japan 35-23 (half-time 19-13) to win a four-nation men's handball tournament in Seoul.

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## ECONOMIC NEWS

Monday, August 10, 1987 The Jerusalem Post Page Six

While other nations fume at 'protectionism'

## Israel shrugs off U.S. trade bill

By KEN SCHACHTER  
For The Jerusalem Post  
TEL AVIV. — When the U.S. Senate passed a sweeping trade bill last month, the international reaction was swift and sharp. "Clearly protectionist," declared a commentator on the BBC. "The worst trade bill I have ever seen," said a South Korean trade association official. "A killer bill," fumed a spokesman for Taiwan footwear manufacturers.

In Israel, however, barely an eyebrow was raised after the 71-27 Senate vote. The reason is that tucked into the more-than-1,000-page bill is a little noticed provision that gives a blanket exemption to all those countries which have signed a Free Trade Area (FTA) agreement with the U.S.

The complete, unabridged list of such nations reads as follows: Israel. That Israel managed to get such a clause inserted in both the Senate bill and the version passed by the House of Representatives in April is an indication of Jerusalem's concern towards anything that might impede the free exchange of goods with its largest trading partner. It's also a sign of the government's ongoing effort to make the FTA accord the touchstone of economic relations between the two countries.

From the start, it was clear that Congress intended to pass a bill whose aim was to curb a chronic trade deficit that last year reached \$170 billion. But it was equally clear that the bill's focus would be on Far Eastern countries like Japan, South

Korea and Taiwan, which run huge trade surpluses with the U.S.

Still, when legislative action began to unfold more than a year ago, Israeli officials and industrialists kept a watchful eye, says Yoram Radoshitzky, chairman of the textile division of the Manufacturers Association.

"Our purpose at that time was that we should get an exemption," he says. The fear was that the trade bill would impose quotas on U.S. imports that conflicted with provisions negotiated under the FTA. Of particular concern was the textile industry. U.S. manufacturers have been battered by low-cost production in the Far East, but Israel also has managed to carve out some specialized markets in which it competes head-on with American firms.

At this point, lobbyists from the America-Israel Public Affairs Committee (AIPAC) and officials from the Israel-America Chamber of Commerce and Israeli Embassy converged on Capitol Hill to make Jerusalem's case.

Joshua Maor, president of the Israel-America Chamber of Com-

merce, who held talks in Washington this spring with several key legislators on trade issues, recalls no serious opposition to the FTA exemption. What's more, in two bills chock full of amendments, many of which have nothing to do with trade, the FTA waiver went almost unnoticed.

The House bill takes the hardest stance on trade with Japan other than East countries. Its Gephardt amendment requires the president to cut the trade deficit 10 per cent a year with countries that run large surpluses and engage in unfair practices, such

as erecting barriers to U.S. products.

The Senate bill has a similar provision, but allows more leeway for presidential discretion.

The pro-Israel lobby tried, but failed, to delete another provision in the Senate bill that affected Jerusalem only indirectly. This one calls for the U.S. to suspend most-favored-nation trading status with Romania for six months in an apparent rebuff to the repressive regime of Nicolae Ceausescu. Romania, however, has had the closest relations with Israel of any nation in the communist bloc, and it continues a re-

luctively open emigration policy for Romanian Jews.

In Western Europe, though the U.S. bill has been widely branded protectionist, criticism has been leveled with a mixture of understanding and a sense of self-interest.

French Deputy Edith Gresson, considered a possible prime minister in a future Socialist government, says the U.S. trade bill was understandable since "it's impossible to export to Japan."

But if the U.S. curbs access to the American market, she says, the Japanese will look elsewhere, namely Europe. And Europeans are none too eager to feel the full brunt of an economic offensive from Tokyo.

Japan engages "more in a war strategy than in trade," she says. "Japan is a country that is in a war. Americans were very slow to realize it."

Still, the fate of the U.S. trade bill remains uncertain. Conferees from the Senate and House will try to patch together a compromise bill acceptable to both bodies once the legislators return from their August recess. The conference is expected to drag on for months. President Reagan, a free-trade proponent, has threatened to veto the bill if some of the harsher measures, such as the Gephardt amendment, are included in the final version.

But in Israel, eyes will be riveted on the fate of the FTA provision. Says Maor, paraphrasing Yogi Berra: "The game ain't over till it's over."

## The complete unabridged list of nations that have a free-trade pact with the U.S. reads as follows: Israel.

## BUSINESS BRIEFS

## Tourist entries continue at record levels

The tourism boom continued unabated last month, as some 134,000 tourists entered the country, the Central Bureau of Statistics announced last week.

Some 800,000 tourists came to the country in the first seven months of the year, 24 per cent more than in the same period last year.

The figures released yesterday also showed that the number of incoming tourists for the first seven months of the year was 2 per cent higher than in the same period in 1985, the previous record year for the Israeli tourism industry. The figures also showed that in the last few months there has been a marked increase in the number of tourists who entered Israel from Egypt. The

number of such tourists totalled 61,300 in January-July, 48 per cent higher than in the same period last year.

LEUMI MORTGAGE BANK Wednesday reported sharply higher profit for the first half, with pre-tax earnings soaring 472 per cent from year-earlier levels to NIS 2.6 million. Net profit jumped 299 per cent to NIS 858,000.

The Bank Leumi unit said its balance sheet stood at NIS 1.6 billion on June 30, an increase of 1 per cent from a year ago, while its capital means edged up 1.8 per cent to NIS 27.6m. Its loan portfolio grew 1.3 per cent to NIS 858.7m at the end of June from a year before.

Leumi Mortgage's results reflect a general upturn in the mortgage sector after a depressed 1986.

SCITEK CORP. said last week it had reached an agreement with Norwalk, Connecticut-based Continental Can Co. to sell its 50 per cent

stake in Contex Graphic Systems Inc.

The Herzliya-based company will immediately receive \$1.085 million from Continental and an additional \$500,000 in contingency payments later on for the Contex stake and other related properties.

Contex was formed by the two companies in 1985 to develop manufacture and market graphic design systems for the packaged goods industry. Although Scitex will no longer have an equity stake in the company, it said it would maintain commercial ties with Contex.

ISRAEL DEVELOPMENT and Mortgage Bank yesterday reported that its first-half net profit grew 67 per cent to NIS 1.49 million, while pre-tax earnings jumped 167 per cent to NIS 3.3m.

The unaudited results for the Israel Discount Bank subsidiary showed the balance sheet at NIS 1.252 billion as of June 30, a 0.7 per cent gain from a year earlier, while its loan portfolio grew 2.8 per cent to NIS 634.2m.

## CURRENCY MARKETS

## Strong dollar due for a correction

The dollar closed higher on strong U.S. employment data Friday, finishing above the 1.89 Deutschmark level and at a seven-month high.

A rise of 300,000 in the non-farm payroll in July was well above market expectations, and brought the unemployment rate to 6 per cent, the lowest since December 1979. Moreover, the data supported recent indications that the U.S. economy is gathering momentum, giving the dollar important fundamental support.

The U.S. currency jumped 1½ pence last Monday following the riots in Mecca, and it was bid up throughout the week as the tensions in the Persian Gulf sent investors looking for a safe-haven currency.

The central banks tried to moderate this climb. The Bundesbank sold dollars on Tuesday, and the Fed and the Bank of England joined its efforts later in the week. Their dollar-selling was modest in terms of size, and it seems that it was aimed at reducing excess speculative demand.

On Thursday, the Bank of England initiated a one-percentage point rise in the base lending rate to 10 per cent but it had little effect on the sliding pound, which also failed to benefit from oil prices above \$22 a barrel earlier in the week.

The strength of the dollar, despite the intervention of central banks, indicates that there is a growing sentiment in favour of the U.S. currency. It appears that the major trend of the dollar's decline has entered a neutral phase with a medium-term uptrend. Nevertheless, the speed of the dollar's rise during the last week shows that the currency is overbought in the short term and that a correction in its value is due sometime during the next few days.

The level of 1.89-1.91 against the mark is a level that the main central banks have agreed to watch and protect in their efforts to stabilize exchange rate movements. It is not likely that the banks will give up that easily. Do not buy dollars aggressively over the next week, but wait for a correction to take place.

The column appears courtesy of Boaz Barak Advisory Service.



OUT OF STEAM. — A trader takes a rest on the floor of the New York Stock Exchange. With the bull market in its fifth year, many working on Wall Street today have never experienced a down market, but analysts say it is inevitable they will, maybe soon. (AFP)

## Wall Street wonders: When will the bull stop charging forward?

By RICHARD SATRAN  
NEW YORK (Reuters). — Wall Street's bull market is hitting the ripe old age of five with style, mauling records and outlasting doomsayers, who predicted a collapse long ago.

But the certainty remains that the rampage that started on August 13, 1982 at the 776.92 mark on the Dow Jones Industrial Average will end. The only question is when.

On Friday, the Dow, which pushed to a record 2605 in the afternoon, failed to maintain momentum and closed at 2592, down two on the day. In the broader market, however, advances led declines seven-six as volume soared to 214 million shares from 192 million the day before.

"We started the week worried about the Middle East and oil prices and inflation, and we end the week less worried and threatening to close over another century mark," said trader Brad Weekes of Donaldson Lufkin and Jenrette, referring to the Dow's rise above 2600 Friday afternoon.

"The history of the financial markets is boom and bust — and there is no reason to believe that will change," says analyst Hugh Johnson of First Albany Securities.

When the bust arrives, many of the money managers and traders now at the controls on Wall Street will be seen only the good times.

"It's a very old bull — one of the oldest ever," says Robert Stovall of Stovall/21st Advisers. "Fully one-third of the professionals in the business have come on board in the last five years."

The recruits added during that time have only known the glory, not the dismal, gloomy period that began in 1967, as the expense of the Vietnam War began to sap the U.S. economy and inflation — the arch-enemy of financial markets — became a problem for the first time in decades.

The 15 years that followed saw stock prices decline by an estimated 50 per cent, in inflation-adjusted values. In August 1982, the Dow average was 225 points lower than the peak in 1972.

But then stocks began smashing through seemingly impossible records, while tripling in value.

By February 1983, the Dow had hit its first new "century" mark in over 10 years, crossing 1100. In the next two years it notched two more 100 milestones to reach 1300. Then, in the remarkable two years beginning in late 1985, it climbed another 1300 points.

Can it keep going?

Recession and recovery, the eco-

nomie pendulum, is mirrored by the financial markets but in a form that often exaggerates the underlying economy.

The Dow's drop to 550 in the mid-1970s exaggerated the economy's weaknesses, but the current 2600-level also masks some problems, analysts say.

Massive budget and trade deficits threaten the present-day order. Most analysts say the chasm between the "real" economy and the stock market has grown, and invites a steep pullback.

Johnson expects a 10 to 12 per cent correction to occur soon, followed by higher prices. "But to be honest," he says, "I predicted that back in June." Since then the Dow has gained more than 200 points.

"The market does seem to need a rest, it's looking a little creaky," he says. "But the ingredients are still there for higher stock prices."

A number of analysts expect the bull market to reach even higher before it expires. Robert Prechter, of the Elliott Wave theory, one of the best-known technical analyses, sees the market rising to 3600 or 3700. But then he expects a steep decline.

When analysts do talk about a crash, they point to Japan, where stock market values are triple those of the U.S. Borrowing to purchase stocks is more prevalent and speculation appears to be more of a problem.

"When I look at Japan," says Johnson, "I get paranoid."

But even though parallels are seen to the 1920s, when a big market rally was followed by the great crash, few are predicting such a calamity.

"The problem with predicting a hard landing for stocks is that there are really no signs yet of a recession," says John Connolly of Dean Witter Reynolds.

"I don't see the ingredients yet for a crash," adds Stovall. "We haven't seen the excess speculation that usually precedes that. I think that

this market could move higher, past 3000, before we see that."

Slow growth, ironically, remains the biggest ally for the bull market, because it invites massive liquidity injections by central banks around the globe to stimulate their national economies. The pumped-up money supply has been funnelled into stock markets, since the sluggish global economies have been unable to absorb it directly, in capital investment.

"A global green tide is sweeping through everything, gobbling up stocks, getting bigger and bigger," says Yale Hirsch, a stock market historian and newsletter publisher based in Old Tappan, New Jersey.

He says adjusting for inflation, the Dow remains well below its all-time high. In a rally 20 years ago, the 1000 mark was hit briefly. Adjusting for intervening inflation, that level works out to about 3400 in present-value dollars.

The current rally first drew strength from Federal Reserve-sponsored "discount-rate" cuts. Then gained momentum on massive corporate restructurings and mergers. The current wave is made up of companies benefiting from strong corporate-profits gains.

Gradually, investors have moved their focus from interest rate-sensitive stocks into economically sensitive ones.

The next move, says Connolly of Dean Witter Reynolds, could be out of stocks altogether. As interest rates work still higher — the long-term government bond yields are now 9 per cent versus just over 7 per cent a year ago — they become more attractive than stocks.

"Now we have a valuation problem," he says. "All markets compete — stocks, bond, cash. The stock market has been running on its own momentum. But at some point, money will be attracted to value instead of momentum, and then you'll see a lot going out of stocks."

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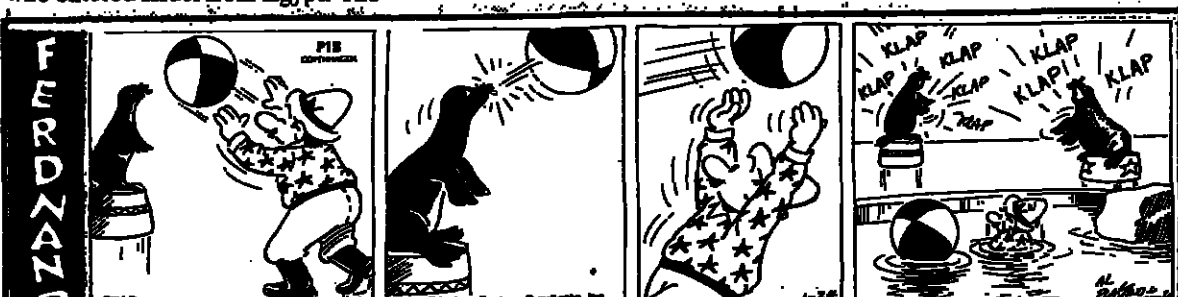
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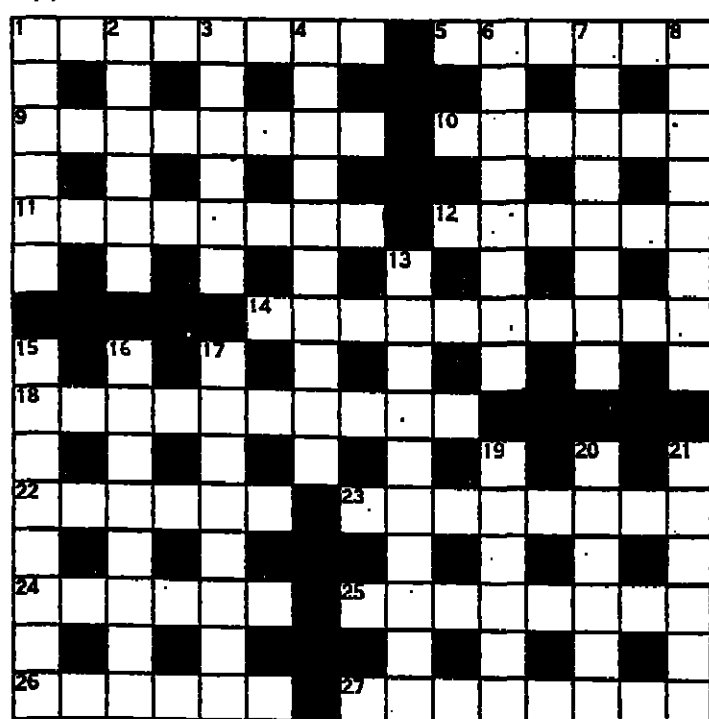
## CROSSWORD

## ACROSS

- 1 Rewarding branch of the fighting services (3,5)
- 5 Somewhat sooner? Yes, indeed (6)
- 9 A gastronomic treat? (4,4)
- 10 Parental couple taken round an international waterway (6)
- 11 Granted, was no abstainer (6)
- 12 Still good advice to the fapper? (6)
- 14 Its raison d'être is to get things working again (6-4)
- 15 Naval officer explaining what Agnes Wickfield was to David Copperfield (6,4)
- 23 A badly hurt king whose passing Tennyson lamented (6)

## DOWN

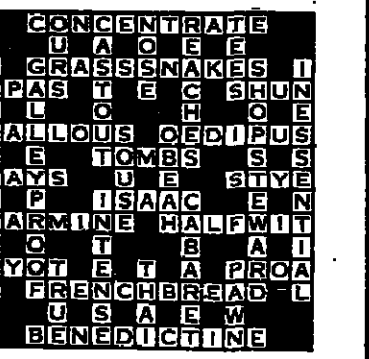
- 23 Individual copies returned with speed (6)
- 24 Steps inside a house (6)
- 25 Tight-lipped group watched with keen interest at Wimbledon (5,3)
- 26 One who considers life is barely worth living (6)
- 27 Not to be daunted, I printed another version (8)



## 4 Post-war conditions? (5,5)

- 6 Their activities bring them nothing but pleasure (8)
- 7 Vexing problem that is highly painful (8)
- 8 They are often consulted by those who don't know which way to turn (4-4)
- 13 Red-walled city (4,6)
- 15 Two stupid fellows taking in a fanatical killer (8)
- 16 Not the only part of Britain wanting tax to come down! (8)
- 17 Seeks to know how sheets of paper may be sold (8)
- 19 Old High German? (6)
- 20 Call for a feline rebellion? What a sauce! (6)
- 21 Superficially damaged, but not disheartened indeed (6)

## Yesterday's Solution



## QUICK SOLUTION

- ACROSS: 7 Lilies, 8 Bolero, 10 Menton, 11 Cheer, 12 Ewer, 13 Delay, 17 Quest, 18 Sure, 22 Comic, 23 Neutral, 24 Awake, 25 Adhere.
- DOWN: 1 Slumber, 2 Plunder, 3 Tepid, 4 Conical, 5 Rehearsal, 6 Court, 9 Incessant, 14 Succeed, 15 Quarter, 16 Replied, 19 Ocean, 20 Smear, 21 Outdo.

## QUICK CROSSWORD

## ACROSS

- 1 Not at work
- 5 Tree-trunks
- 8 Scene of combat
- 9 Sunday
- 10 Slightly wet
- 11 White poplar
- 12 Firm
- 14 Untouched
- 17 Souvenir from past
- 19 Betrotted
- 22 Threadbare
- 23 Expel
- 24 Girl's name
- 25 Bewildered

## DOWN

- 1 Sacred song
- 2 New World
- 3 Unsubtle
- 4 Donating
- 5 Snip
- 6 Black
- 7 Dubious
- 12 Odd
- 13 Reading-desk
- 15 Fishing
- 16 Perplexing problem
- 18 Fold of coat
- 20 Fresh

## GENERAL ASSISTANCE

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Ramat Hasharon Information Centre Tel. 03-43300, 43300 Sunday-Thursday, 8 a.m. to 8 p.m. Friday 8 a.m. to 3 p.m.

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# MARKET PLACE

PINHAS LANDAU

## Inflated expectation

The timing of market moves is determined by the pattern of expectations dominant in the market at any time, or "the mood." The problems begin when this seemingly obvious remark is translated into market reality.

Let's take a recent foreign example. When Margaret Thatcher called the British general election in June, the City of London was entranced by the things that would happen after the Conservatives finally won their third successive triumph.

Not only would privatization march ahead, it was said, but "a wall of money" would fall on London from overseas - and especially Japanese - investors. Gifts, or British government securities, were assumed to be major potential beneficiaries of this looming development, and the London share market was also touted as offering perhaps the best opportunities of any major exchange.

Sterling, too, was expected to smash through the barrier of three Deutschmarks to the pound, forcing interest rates lower and thereby justifying the purchase of gilts and equities on monetary and currency grounds. And the British economy as a whole was painted in its brightest colours, with its ability to outperform the big three of the U.S., Japan and West Germany, at least in the 12 months from mid-1986, being acclaimed as the fundamental underpinning for the coming surge.

We are now two months after the Conservative victory. The wall of money never materialized, at least in anything like the scale envisaged and sterling is at \$1.56, and still around 2.95 marks. Gifts have been slaughtered and the share market, after making new record highs, has recently been weak.

The reasons have not been hard to find. The weakness of sterling and the resurgence of the dollar forced a surprise 1 per cent hike in interest rates last Thursday, sending shares hurtling to their biggest-ever one-day loss, and completing the ongoing rout in the gilt market. The superiority of the British economic performance has been drowned out by unexpectedly good figures from both the U.S. and Japan.

Now for the home front. The main trend on our markets these past few weeks has been the steady rise of index-linked bond prices, and of the dollar-linked bank shares, while the share market has been depressed both in turnovers and performance.

The feeling in financial circles has changed radically on the main variable that interests everyone, namely the future rate of inflation. The promised summer of negligible inflation that everyone was expecting in May and June, turned sour when the June Consumer Price Index was way above expectations, at 1 per cent.

Consequently, the July index, due to be published this Friday, is now being predicted at 1.5 per cent, and maybe even 2 per cent - instead of the 0.5 per cent or less earlier thought possible by some optimists.

At the same time, the rebound of the dollar has pushed the dollar/shekel rate up within the basket of currencies, while the other currencies have been devalued to hold the basket steady overall. This, rather than the rumours of a possible straight devaluation of the shekel, have sent yields on the bank shares included in the "arrangement" to the lowest consistent level since they began trading, at 10-11 per cent per annum for the last three weeks.

Another factor, fueling the rise in index and dollar-linked securities has been the low - and now apparently negative, in real terms - rate of interest offered to depositors in unlinked shekel accounts.

The renewed inflationary fears have held back the share market, which might otherwise have reacted more favourably to better earnings reports. But these, too, have been expected and hence presumably discounted.

All this would suggest that inflation of up to 1.5-1.8 per cent for July - shocking though it would have been - thought of a few weeks ago - has been built into current prices. Since almost every index published this year has surprised the predictors, in one or other direction, this one might do so as well.

For it to overshoot, it would have to be around 2 per cent, which would be disastrously high. Conversely, anything less than about 1.4 would be considered positive in the current atmosphere. Gamblers may play their hunches, but the sidelines look the best place to be for the coming week.

## Petrol-stations reach pact with Energy Ministry

Post Economic Staff  
TEL AVIV. - Petrol-station owners have reached a settlement with the Energy Ministry, apparently ending the threat of any further strikes, officials said yesterday.

Under the agreement, petrol station commissions on sales will increase by 10 per cent and owners will receive 40 agorot per cent on nights and weekends. The owners had previously received a 6-7 per cent commission on petrol sales.

## Medina, Fogel take top posts

# Leumi net swelled 300% in half

By PINHAS LANDAU  
Post Finance Reporter

The Bank Leumi group yesterday reported a net profit of NIS 64 million for the first half - more than three times the inflation-adjusted equivalent for the same period of 1986. The bank's earnings in the second quarter of this year were more than twice as high as in the first quarter, apparently because it concentrated on its most profitable areas of business and ran down its activities in other sectors.

In a separate surprise announcement, the bank also said former Bank of Israel official Victor Medina and a senior Treasury official, Aharon Fogel, had accepted senior posts in the Leumi group.

Medina is taking the part-time post of director and chairman of the investment committee of two major Leumi subsidiaries - PIA, the mutual-fund group, and the bank's provident-fund management company.

Medina, as head of the Bank of Israel's monetary department, had an important role in planning the country's monetary and capital market policy, until his resignation in late June. Now he will, for the first time, be involved in the markets as a key institutional investor, instead of as a regulator.

Fogel, who is scheduled to leave his post as head of the Treasury budget division at the end of this month, will assume the post of chairman of Leumi and Co., Leumi's fledgling merchant bank, putting him in control of the company's underwriting activities.

For both Medina and Fogel the appointments are expected to be part-time, involving one or two days a week of activity, for which they will receive remuneration. They will not, however, be engaged in an executive capacity and will not be employees of Bank Leumi.

Leumi's net was boosted by the lower tax rates in force this year,

while the group's gross profit rose 92 per cent to NIS 168.3m.

In an unprecedented development in Israeli banking, Leumi voluntarily offered the amount it set aside in the first half for bad debts - NIS 150m., compared with only NIS 98m. last year. This indicates that gross profits would have been significantly higher without the massive write-offs.

The bank has been expected to be forced to make enormous provisions, for the third successive year.

Half-yearly statements only require "scanning" by external accountants, not formal auditing, and there is no obligation to provide figures on the amounts set aside for bad or doubtful debts.

The strong profit performance was reflected in the 9.4 per cent annualized net rate of return on equity Leumi achieved. In the whole of 1986, the bank managed only NIS 4.4m. of net profit.

The net profit figure boosted Leumi's capital means and, combined with a positive revaluation of investments overseas, raised total capital means 5 per cent, to NIS 1.467 billion.

Total assets were unchanged over the half-year in real terms at NIS 38.8b. However, this stability hid an important change in the composition of the bank's business. Deposits from the public rose an overall 2.7 per cent to NIS 27b., but unlinked shekel deposits jumped 18 per cent from the end of 1986.

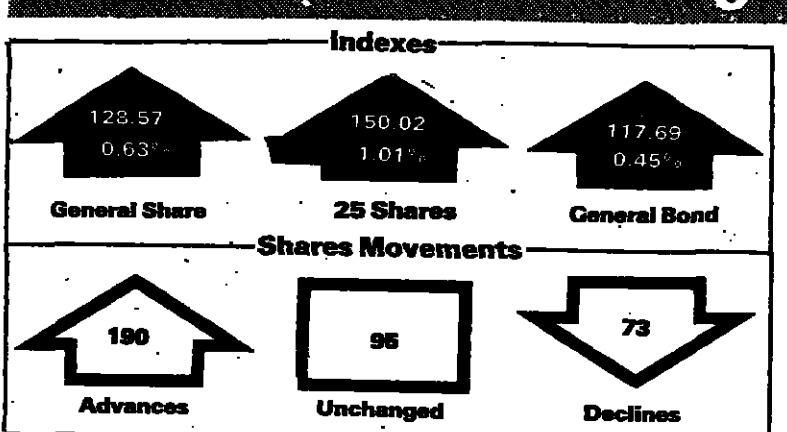
Similarly, total loans gained an impressive 10.9 per cent to NIS 15.5b., but within this the unlinked shekel loan sector soared 29 per cent. These gains in what are currently the most profitable areas of banking business were offset by reductions in the high-volume but low-profit sectors of inter-bank loans and deposits, and business done with the

government.

The pursuit of this profit-oriented policy was given as the main rationale behind the sharp improvement in Leumi's performance, not only compared with last year, but even from the first to the second quarter of this one. The average profit margin available to the bank actually declined slightly in the second quarter, and is expected to slip further during the second half of the year.

The direction of the bank's growth, as much as the details of the results, clearly show the imprint of the new strategies introduced by Zaid Bino, who took over as Leumi chief executive officer last March. In the light of the highly favourable half-year results, the Leumi board, at Bino's prodding, authorized payment of an "interim bonus" of 80 per cent of one month's gross salary to all employees.

## Tel Aviv Stock Exchange



### Selected Prices

Name	Price	Volume	% change
<b>Commercial Banks</b>			
Bank Leumi	1800	1507	+0.1
Bank Hapoalim	1800	1507	+0.1
Bank Leumi	1800	1507	+0.1
<b>Commercial Banks</b>			
Bank Leumi	1800	1507	+0.1
Bank Hapoalim	1800	1507	+0.1
Bank Leumi	1800	1507	+0.1
<b>Mortgage Banks &amp; Finance</b>			
Bank Leumi	1800	1507	+0.1
Bank Hapoalim	1800	1507	+0.1
Bank Leumi	1800	1507	+0.1
<b>Insurance</b>			
Bank Leumi	1800	1507	+0.1
Bank Hapoalim	1800	1507	+0.1
Bank Leumi	1800	1507	+0.1
<b>Trade &amp; Services</b>			
Bank Leumi	1800	1507	+0.1
Bank Hapoalim	1800	1507	+0.1
Bank Leumi	1800	1507	+0.1
<b>Real Estate, Building and Agriculture</b>			
Bank Leumi	1800	1507	+0.1
Bank Hapoalim	1800	1507	+0.1
Bank Leumi	1800	1507	+0.1

## Monetary policy to be probed

By AVI TEMKIN

Post Economic Reporter  
Sharp criticism of the Bank of Israel is expected to be aired tomorrow when the Ministerial Economic Committee meets to discuss the bank's monetary policy and tools.

At the central bank, there was some concern yesterday as it was believed the government would let the bank decide on monetary policy with a minimum of intervention.

The meeting of the ministerial committee was called at the initiative of Energy Minister Moshe Shaleh some months ago, when interest rates were very high. Today, the discussion is expected to centre on the central bank's decision to control liquidity in the economy through open-market operations.

Treasury officials are sceptical about the central bank's policy, contending that the Israeli capital market is the inventory of bonds held by the bank and too small.

Treasury officials also charge that open-market operations are costing the government money. Selling bonds has put the central bank in competition with the Treasury. As a result, the government, they note, was forced to raise the rate of return by one percentage point to 6½ per cent in its May long-term bond issue.

## Trade gap narrowed in past four months

Post Economic Reporter

Israel's trade deficit totalled \$218 million in July, the Central Bureau of Statistics reported yesterday, narrowing the average monthly deficit for the last four months 23.5 per cent compared with the first quarter of the year.

Nevertheless, the excess of merchandise imports over exports for the January-July period was still \$500m. higher than in the same period in 1986.

The figures released by the bureau showed that the monthly average deficit for the last four months totalled \$225m., compared with \$294m. in the previous quarter. These figures were seasonally adjusted and

do not include airplanes and diamonds.

The bureau indicated that in the last four months the average level of exports stood at \$400m. compared with \$460m. in the first quarter of the year. Imports of merchandise remained stable at some \$765m.

Exports totalled \$465 billion in the first seven months of the year, an increase of 16 per cent from the same period last year. Industrial exports, excluding diamonds, rose 16 per cent to \$2.6b. The bureau said the average level of industrial exports for the last four months was \$480m. This was 17 per cent higher than the average for the first quarter of 1987, and 21 per cent higher than in the second half of 1986.

## Israel Money Markets

### ISRAEL MONEY MARKETS

#### Shekel Deposits (annual rates)

Bank	Deposit	7 days	14 days	30 days
Bank Leumi	100-1000	11.00	11.00	11.00
Bank Hapoalim	100-1000	11.00	11.00	11.00
Bank Leumi	100-1000	11.00	11.00	11.00
Bank Hapoalim	100-1000	11.00	11.00	11.00
Bank Leumi	100-1000	11.00	11.00	11.00
Bank Hapoalim	100-1000	11.00	11.00	11.00
Bank Leumi	100-1000	11.00	11.00	11.00
Bank Hapoalim	100-1000	11.00	11.00	11.00
Bank Leumi	100-1000	11.00	11.00	11.00
Bank Hapoalim	100-1000	11.00	11.00	11.00

#### Petah (foreign currency deposit rates, August 7)

Currency (min. deposit)	3 MONTHS	6 MONTHS	12 MONTHS
U.S. dollar (\$100,000)	8.375	8.625	7.125
U.S. dollar (\$10,000)	7.750	8.125	6.375
U.S. dollar (\$1,000)	7.375	7.750	6.000
U.S. dollar (\$100)	7.000	7.375	5.625
U.S. dollar (\$10)	6.625	7.000	5.250
U.S. dollar (\$1)	6.250	6.625	4.875

#### Shekel Foreign Exchange Rates (August 7)

Currency	Rate	Rate	Rate
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600
U.S. dollar	1.5600	1.5600	1.5600

#### Foreign Markets

##### EUROPEAN FINANCIAL MARKETS (August 7)

###### Precious Metals

###### Libor Rates

###### Foreign Currency Crossrates (London 15:30 GMT)

###### Share Indices

###### NEW YORK FINANCIAL MARKETS (August 7)

###### U.S. Money Rates

###### New York Foreign Exchange

###### Precious Metals

###### Wall Street (Prices as of 16:00 GMT)

###### Statistics

###### Israel Stocks Traded in New York

###### Over-the-Counter

###### OVERSEAS FINANCIAL DATA

###### PROVIDED BY REUTERS MONITOR

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